

A Hybrid Revolution Enabling a Sustainable Response to Social Problems through Multiple Entities

A Case Study on Shonaquip

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Declaration

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Abstract

"There is an idea that values are divided between the financial and the societal, but this is a fundamentally wrong way to view how we create value. Value is whole. The world is not divided into corporate bad guys and social heroes." —Jed Emerson

While the definition of social enterprises remains elusive, they are generally understood to be organisations that have a social impact focus while generating income through trade in goods or services. Hybrid social enterprises are a relatively new organisational structure utilising a combination of both non-profit values and business principles, often combining a range of income streams and occasionally using more than one legal entity.

This thesis proposes that social enterprises, and particularly hybrid social enterprises, build on the long history of civil society organisations as they evolve new ways of delivering social change. It is this history that should guide social entrepreneurs as they choose organisational and business models to deliver social impact. Recognising the lessons of traditional vehicles of social change will allow social entrepreneurs the opportunities to both leverage the benefits provided by different organisational forms and overcome their limitations. This is particularly important as organisations strive to create sustainable social change.

Hybrid social enterprises are an extraordinary opportunity to decouple social change entities from dependency on funding. By combining the strengths and resources available to both non-profit and corporate systems, hybrid social enterprises have the potential to exploit the differences and benefits of both structures to make a long term, financially viable, impact.

A "hybrid ideal" is an organisation where every element of the organisation, both commercial and non-profit, delivers on the intended social impact. This is not always possible and maintaining this vision across organisations can be a challenge. One of the risks associated with social enterprises is "mission drift" where one income stream may shift the organisation's focus away from the original vision. This challenge is exacerbated when the hybrid consists of more than one legal entity.

The 25 year history of Shonaquip, one of South Africa's oldest and most successful hybrid social enterprises, has significant lessons for academics and practitioners as they actively wrestle to create models to sustainably scale a hybrid social enterprise while maintaining the core vision and purpose. Shonaquip's position as a successful hybrid ideal in a low resourced country is particularly important as dependency on international grant funding wanes in light of global economic challenges.

Through the case study, this thesis frames hybrid social enterprise within a civil society context and provides practitioners with lessons learnt on a journey to balance sustainability and impact. Finally the thesis hopes to present practitioners and researchers with a unique model of a hybrid ideal consisting of multiple entities designed to deliver on a component of a holistic approach. Each different legal entity is able to leverage unique benefits integral to its foundation be it as an NPO, limited company or trust, while still committed to an integrated holistic vision.

Opsomming

"Daar bestaan 'n idee dat waardes verdeel is tussen die finansiële en die maatskaplike, maar dit is 'n fundamenteel verkeerde manier om te bepaal hoe waardes geskep word. Waardes is 'n geheel. Die wêreld is nie verdeel in korporatiewe boewe en sosiale helde nie." —Jed Emerson

Terwyl die definisie van maatskaplike ondernemings ontwykend bly, word hulle oor die algemeen gesien as organisasies wat 'n sosiale impak fokus het, terwyl inkomste gegenereer word deur middel van die handel in goedere of dienste. Hibriede sosiale ondernemings is 'n relatief nuwe organisatoriese struktuur wat gebruik maak van 'n kombinasie van beide nie-winsgewende waardes en sakebeginsels. Dit is dikwels 'n kombinasie van 'n verskeidenheid inkomstebronne en soms die gebruik van meer as een regspersoon.

Hierdie tesis stel voor dat sosiale ondernemings, en veral hibriede sosiale ondernemings, bou op die lang geskiedenis van burgerlike organisasies soos wat hulle nuwe maniere vir die lewering van sosiale verandering ontwikkel het. Dit is hierdie geskiedenis wat sosiale entrepreneurs moet lei om organisatoriese en sakemodelle te kies wat sodoende 'n sosiale impak kan bewerkstellig. Indien die lesse van tradisionele werktuie van sosiale verandering in ag geneem word, sal dit sosiale entrepreneurs die geleentheid bied om beide die voordele van verskillende ondernemingsvorme te benut en hul beperkings te oorkom. Dit is veral belangrik as organisasies daarna streef om volhoubare sosiale verandering te skep.

Hibriede sosiale ondernemings is 'n buitengewone geleentheid om entiteite vir sosiale verandering los te maak van hul afhanklikheid van befondsing. Deur die kombinasie van die sterkpunte en hulpbronne wat beskikbaar is vir beide nie-winsgewende en korporatiewe stelsels, het gemengde sosiale ondernemings die potensiaal om die verskille en voordele van beide strukture te benut om 'n langtermyn, finansiële lewensvatbare, impak te maak.

'n "Hibriede ideaal" is 'n organisasie waar elke element van die organisasie, beide kommersieel en nie-winsgewend, 'n bydrae maak op die beoogde sosiale impak. Dit is nie altyd moontlik nie en die handhawing van hierdie visie oor verskeie organisasies kan 'n uitdaging wees. Een van die risiko's wat verband hou met sosiale ondernemings is "missie verskuiwing" waar een inkomstestroom die organisasie se fokus kan verskuif van die oorspronklike visie. Hierdie uitdaging word vererger wanneer die hibriede bestaan uit meer as een regspersoon.

Die 25-jarige geskiedenis van Shonaquip, een van Suid-Afrika se oudste en mees suksesvolle hibriede sosiale ondernemings, het beduidende lesse vir akademici en praktisyns. Hulle aktief stoei om modelle te vorm wat 'n volhoubare hibriede sosiale onderneming te weeg kan bring, en steeds die kern visie gehandhaaf word. Shonaquip se posisie as 'n suksesvolle hibriede ideal, in 'n land met lae hulpbronne, is veral belangrik in die lig van die verminderde afhanklikheid van internasionale subsidie wat kwyn as gevolg van die wêreldwye ekonomiese uitdagings.

Die gevallestudie, toon dat die hibriede sosiale ondernemings in die konteks van 'n burgerlike samelewing, voorsien praktisyns van lesse ten einde volhoubaarheid en impak te balanseer. Ten slotte, word gehoop dat die tesis 'n unieke model voorhou wat bestaan uit verskeie entiteite wat elk ontwerp is om te funksioneer volgens 'n komponent van 'n holistiese benadering. Elke aparte regspersoon is in staat om unieke voordele te benut wat 'n integrale deel van sy stigting uitmaak, of dit nou as 'n NPO, beperkte maatskappy of trust is, terwyl dit nog verbind bly tot 'n geïntegreerde holistiese visie.

Acknowledgements

Apparently I get to write anything I want here. Despite the temptation I will restrain myself from launching into a diatribe about human rights and just say the fun stuff.

This thesis is dedicated to two of the most wonderful women I know. Firstly, thanks go to my mother who pushed me over nearly 17 years to finally complete the Master's degree that I started so many years (and countries) ago. Thank you for always believing in me and supporting me despite my desire to work for all sorts of crazy causes along the way of life.

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Oh, and just in case you forgot...

Disability rights are human rights - inclusion is about us all.

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Acronyms

B-BBEE	Broad-Based Black Economic Empowerment
Benefit Corps	Benefit Corporation (an American social enterprise framework)
BLLC	Benefit Limited Liability Companies (an American social enterprise framework)
CBO	Community Based Organisation
CEO	Chief Executive Officer
CIC	Community Interest Company (a British social enterprise framework registered under the UK Companies Act 2004)
CIPC	Companies and Intellectual Property Commission (South Africa)
COO	Chief Operating Officer
CSI	Corporate Social Investment
CSO	Civil Society Organisation
CSR	Corporate Social Responsibility
CRPD	United Nations Convention on the Rights of Persons with Disabilities
DBE	The South African Department of Basic Education
DOH	The South African Department of Health
DSD	The South African Department of Social Development
DTI	The South African Department of Trade and Industry
ESD	Enterprise and Supplier Development pillar under the South African Broad-Based Black Economic Empowerment Act
FBO	Faith Based Organisation
GRO	Grassroots Organisation
ICF	International Classification of Functioning, Disability and Health
L3C	Low-Profit Limited Liability Companies (an American social enterprise framework)
MOU	Memorandum of Understanding
NGO	Non-Governmental Organisation
NPO	Non-Profit Organisation
NPC	Non-Profit Company (a registration form for NPOs in South Africa)
PAO	Patient Advocacy Organisation
PBA	Public Benefit Activities (as defined traditionally in tax legislation)
PBO	Public Benefit Organisation
PFA	National Policy on Financial Awards to Service Providers (PFA) 2004.
SED	Socio-Economic Development pillar under the South African Broad-Based Black Economic Empowerment Act
SD	Skills Development pillar under the B-BBEE Act
SIBs	Social Impact Bonds
SMME	Small, Medium and Micro Enterprises
SPC	Social Purpose Corporations (an American social enterprise framework)
UNDP	United Nations Development Programme
VOSESA	Volunteer and Service Enquiry Southern Africa
VSF	Volunteers Supporting Families
WHO	World Health Organisation

Chapter 1: What if Companies and Charities Were the Same Thing?

1.1 Preamble

What if companies and charities were the same thing? For many, this is an absurd question. But what if it weren't? The history of organisations that deliver social good while generating income from the sale of goods and services can be traced back to the Victorian era, yet we have become accustomed to a clear separation between public, private and civil society entities.

Relatively recently, a merged model called social enterprises evolved separately in the USA and Europe during the 1970s when it was realised that traditional organisational structures starkly divided into "self-sustainable" and "dependent on external funding" were restricting organisations' ability to deliver social impact. As a new model, with different origins, merging different paradigms, there are many different positions on what constitutes a social enterprise.

Moreover, despite such a long history of organisations attempting to deliver financially sustainable social impact, there is still no legal framework or consensus on best practice models. While financial sustainability of social enterprises is vital, and the lessons taken from the private sector are valuable, this thesis attempts to present the position that there are also many lessons to be learnt from civil society as social entrepreneurs attempt to deliver social impact as well as goods and services.

This thesis is, at its core, a case study of Shonaquip, one of South Africa's oldest social enterprises and therefore frames this debate within a South African context. The intention is to unpack their model as they responded to need, shifting legislation and opportunities. Recently, Shonaquip has evolved a new model, consciously taking lessons from civil society as it seeks to sustainably scale its social impact.

As a result of the complexity of presenting the evolution of academic, legal and context specific changes, a number of issues will be unpacked during the thesis as they emerge historically. Many sources and concepts traditionally debated during the literature review will therefore be discussed during later chapters. The intention is to contextually clarify the options available to social entrepreneurs and social enterprises before discussing the relevance to the Shonaquip model.

Shonaquip is a hybrid (consisting of more than one legal entity) social enterprise. In order to discuss the practical impact of different organisational models, particularly in a low resource environment, 10 mini case studies of African hybrid social enterprises will be presented to show alternative options for social entrepreneurs should they choose a hybrid model. The risks and opportunities of these different models will contextualise how the legal frameworks chosen support (or detract) from the social enterprises' ability to deliver on their social and well as their financial purposes.

It is hoped that this will frame further debate and provide social entrepreneurs with a variety of models and practices to support sustainably delivering social purpose.

1.2 Introduction

South Africa's strong civil society history framed this paradigm shift initially in the evolution of Agricultural and Trade Union Cooperatives of the 1980s.

Ashoka (a global organization that identifies and invests in leading social entrepreneurs) is often attributed with the evolution of Social Enterprise as an Industry in the 1980s (The Institute of Social Entrepreneurs 2008:11). The Ashoka Foundation supported the founding of the Network for Social Entrepreneurs at the Gordon Institute of Business Science in the 1990s. Ever since, academic debates and programmes supporting social entrepreneurs in South Africa, like the rest of the world, have been housed in graduate schools of business. This reflects the growing emphasis on business models and practices in the debate around social enterprises. (Kerlin, 2006:4, Hands: 2016).

While the lessons from the corporate and private sector are vital for sustainability, and are key to the emergence of this new merged model of often opposing paradigms, this shift is unbalanced and this thesis postulates that social enterprises are in danger of losing the insights and skills of community participation, advocacy and empowerment that the civil society movement experience has demonstrated are key to social change.

Through the case study, and references to other hybrid social enterprises, this research documents the importance of the choice of legal entities, methods and practices, and some of the implications thereof, for social enterprises as they choose how to deliver on both their economic and social purposes.

Founded in 1992, Shonaquip was one of the first social enterprises in South Africa, although, if you were to ask the founder Shona McDonald, she would say that she didn't know Shonaquip was a social enterprise until someone told her so! (McDonald, 2016(a)).

She was, as always, doing what she felt was right. Shona, now an internationally award winning social entrepreneur, founded Shonaquip to sustainably scale her vision to ensure families were able to access affordable, Africa appropriate, posture support wheelchairs (McDonald, S. quoted in Wilson & Wilson, 2011). In 2010, Shona was one of five social entrepreneurs recognized as Social Entrepreneur of the Year in Africa during the World Economic Forum on Africa, in Dar es Salaam, Tanzania (World Economic Forum, 2010).

In 2011, Shonaquip faced an economic crisis with a cut in government orders due to the economic downturn and the 2010 World Cup (McDonald, 2016(a) and Shonaquip, 2011:8). Faced with the risk of having to suspend all social impact work, the Uhambo Foundation was founded to secure and scale the community empowerment programmes that had previously been undertaken by Shonaquip. The opportunities created by the split have evolved dramatically as both Shonaquip and Uhambo have become more financially secure. The lived experience within the foundation, coupled with external influences, lead to the two organisations drifting apart.

Since 2015, both organisations reunited to deliver a joint vision, integrate service delivery and clarify each entity's focus. By linking mandate to legal structure, gaps were

identified in what was needed to deliver holistic and sustainable change for children with disabilities.

After considerable reflection on the challenges, lessons and opportunities created both by the past, as well as changes in the political and legal context within South Africa, two new legal entities were registered to launch in 2017. The Champions of Change Trust will be an advocacy and capacity building platform for parents of children with disabilities and The Empowerment through Enterprise Trust leverages the new Section 30C Trust for skills and enterprise development training (Champions of Change Trust, 2016 and Empowerment through Enterprise Trust, 2016).

This has resulted in a new delivery model, with a united vision, leveraging different tools and combining specialised expertise to maximise incentives offered by government; and in so doing offers a unique partnership opportunity for donors and investors alike.

1.3 Defining the Research

1.3.1 *The Research Problem*

There has been an increasing shift in the academic study of Social Entrepreneurship away from the social sciences towards business schools. This was cited as at least 50% by Kerlin in 2006. (Kerlin, 2006:4). In 2016, Mark Hand and Jonathan Lewis looked at the research gap in Social Entrepreneurship. They reviewed approximately 500 academic articles related to social entrepreneurship and identified the 25 most cited and therefore influential academic articles they identified the following trend:

“More than half the articles are concerned with defining social entrepreneurship either in line with, or in contrast to, traditional business or traditional nonprofit work; three examine the state of social entrepreneurship research itself. Where they were published is also interesting: Nearly two-thirds were published in traditional management and entrepreneurship journals, with only two articles in nonprofit journals and two in public administration journals.” (Hands: 2016)

Recent literature and the study of social enterprises has entrenched this corporate-for-good approach and the context of social enterprises as emerging from within a civil society perspective is being ignored (Hands: 2016). This is impacting on emerging legislative frameworks and, as a result, is limiting the opportunities of social enterprises to maximise the benefits of multiple income streams. More importantly, recently, new social enterprises are developing social enterprises for whom the vision and social impact focus is a stand-alone, rather than integral, component of the enterprise; and organisations that integrate their social impact into all elements of their work are being designated as hypothetical “hybrid ideals” as opposed to normal and an inherent part of the definition of social enterprises. (Battilana, Lee, Walker & Dorsey, 2012:52).

Following an extensive literature review, it is clear that there is a shortage of documentation on the practical challenges and opportunities that surface during the evolution of a hybrid social enterprise. It is hoped that this documentation will help guide new practitioners (Oosthuysen, Slabbert, Coetze and McDonald, 2014 and Cahalane, 2013). Documented cases mostly focus on the successes attained but

neglect to capture the struggles faced by social enterprises to deliver on a united vision across a number of different legal entities. The opportunities to exploit different entities are not documented, which limits practitioners' opportunities to take advantage of the range of incentives offered and, just as importantly, avoid potential pit falls.

A better understanding of the opportunities and challenges facing hybrid social enterprises in South Africa as they attempt to make social impact could provide valuable information for both researchers and practitioners. This study will focus on providing further information in three areas. Firstly, the challenges of social enterprises in low resourced settings – specifically South Africa will be introduced. Secondly, the importance of recalling the civil society origins of social enterprises will be highlighted as a vital requirement for making sustainable social impact. Finally, through a case study documenting 25 years of practical experience within an evolving South African hybrid social enterprise, to provide insight into ways to overcome the pitfalls and limitations presented by the lack of a legal framework for social enterprises in South Africa.

a. The challenges and opportunities for Social Enterprises in Low Resourced Settings

Social enterprise has attracted much international academic attention (Granados, Hlupic, Coakes and Mohamed: 2011), but limited research, particularly influential research, has been taken from within either a social impact framework (Hands: 2016) or from the position of a social enterprise in a low resource environment (Oosthuysen, Slabbert, Coetze and McDonald, 2014 and Cahalane, 2013).

Partially to address this gap, Shonaquip has been the subject of international academic studies from numerous well known American and European academic institutions such as Stanford Graduate School of Business, Henley School of Business, Harvard Business School and many others including South African Business Schools such as the Bertha Centre. However, these studies have typically focused on a snapshot case summary. Other similar case studies have been conducted by institutions such as the International Labour Organization, GreaterCapital (GreaterCapital, 2011) and the World Economic Forum (World Economic Forum, 2010); and by leading sector authors such as Marcus Coetzee (Coetzee, 2014), David Littlewood and Diane Holt who are lecturers at Henley Business School and Essex Business School respectively (Littlewood & Holt, 2015 (a); Littlewood & Holt, 2015(b)). Dr Susan Steinman from the Faculty of Management at the University of Johannesburg and Jerome van Rooij, Co-Founding Director at African Climate Finance Hub, also reference Shonaquip extensively to frame other academic arguments (Steinman & Van Rooij, 2012).

b. Social Enterprises as sustainable social change vehicles

The documentation of the practical experience of social entrepreneurs as they attempt to design new organisational models to deliver social impact is limited, not least because research is commonly conducted from a business or management perspective rather than social development mind set. In part, this is due to the fact that commonly exploration of social entrepreneurship and social enterprises has been perceived as an evolution of business, rather than of social development.

The preeminent academic institutions supporting the development of social enterprises are typically placed within business schools. The Bertha Centre for Social Innovation and Entrepreneurship is housed within the University of Cape Town's Graduate School of Business. The Centre for Social Entrepreneurship and Social Economy is within the University of Johannesburg's Management Faculty and even the lesser known Centre for Social Entrepreneurship (CSE) is found within the Durban University of Technology. This follows global trends, with the Skoll Centre for Social Entrepreneurship within the Saïd Business School at the University of Oxford. This ignores both the fact that the purpose of social enterprises is to achieve social impact, and ignores the parallel history of social enterprise as evolving from within the civil society sector.

A better understanding of the evolution of social enterprises will frame the search for appropriate vehicles for social change and support the growth and expansion of social enterprises in South Africa both in scale and in sustainability. This could provide valuable information for not only commercial social enterprises, but also the numerous NPOs that are now looking to consolidate their financial sustainability by exploring social enterprises as a means to sustain and scale their work.

c. Lessons learned from evolution from the field

The lack of documentation about the in depth, internal processes of social enterprise evolution limits researchers' understanding of the reality of organisation modelling and limits practitioners' ability to build on the experience of others. Shonaquip as one of the leading, oldest and most sustainable hybrid social enterprises in South Africa has evolved significantly over 20 years. The historical experience documented covers Shonaquip's entrepreneurial efforts to develop innovative solutions to both respond to social challenges and to take advantage of changes in legislation, policy and prevailing attitudes. These lessons learned in practice, particularly in relation to modelling of the multi-organisational hybrid to scale social impact rather than business sustainability, have not been captured in academic writing before.

1.3.2 The Research Objectives

The objectives of the research will be:

1. To clarify the opportunities and challenges facing social enterprises from a social development perspective in South Africa.
2. To document the evolution of legal vehicles of social impact and the changes in policy environment to frame the choices offered to social entrepreneurs.
3. To document the evolution of one of South Africa's most sustainable social enterprises delivering a holistic approach to social impact and the resultant multi-organisational hybrid model developed.
4. To analyse the evolving organisational model of Shonaquip as it seeks to overcome the limitations of traditional civil society organisations.
5. To document the next stage of evolution and offer recommendations to Shonaquip as it moves forward.
6. To offer recommendations on the options that are available for hybrid social enterprises to increase impact through a holistic approach that encompass different organisational objectives.

1.3.3 *The Research Questions*

These research objectives have been reframed as research questions:

1. What opportunities and challenges need to be addressed to allow hybrid social enterprises to increase their social impact in South Africa?
2. What organisational models are available to hybrid social enterprises in low resourced communities?
3. What lessons can be learnt from the evolution of existing social enterprises that can help researchers and practitioners in lower income countries to build sustainable social enterprises?

1.4 Research Design

The research presented is the culmination of a qualitative in-depth case study focusing on Shonaquip as one of South Africa's oldest social enterprises in order to document and contextualise the recent evolution in the organisational structure of this four entity hybrid as it seeks to overcome the limitations presented by any one legal structure and leverage the opportunities presented by each to ensure sustainability and deliver holistic social impact.

1.4.1 *Relevance and Purpose of Case Study Designs in Research*

Case studies of specific programmes and projects are common within evaluation research, and are often used to document and analyse implementation processes (Yin, 2011: xix). In part this is because case studies allow for the collection of detail that is not easily obtained by other research designs. Yin focuses on the application of case studies, including business firms and economic development, in Chapters 9-12 of his seminal work *Applications of Case Study Research* (Yin, 2011); and, in particular, on the role of case studies to document how research based and innovative ideas are put into practice.

This case study will be framed by themes identified through an evolution of vehicles of social impact and recent local and international policy developments.

This is predominantly an explanatory case study addressing both how and why Shonaquip has evolved as it has. In order to frame this case study, numerous references will be made to other hybrid social enterprises as they too attempt to achieve sustainable social impact; although there is no intention of undertaking a cross-case synthesis.

Multiple sources of evidence are used including previous academic research referencing Shonaquip; published articles; interviews and historic video footage. Internal, unpublished documents will also be referenced in order to triangulate.

Multiple data collection methods are used within case studies – combining a literature review of published and unpublished data, observations, questionnaires, interviews and archive to gather either qualitative or quantitative data or a combination. The intention can be to provide description, test theory or generate theory (Eisenhardt, 1998:534 and Mouton, 2014, 149). This case study will focus on qualitative data, both to provide description and to test the theory that social enterprises should consider the lessons of civil society organisations and not just corporate entities if they are going to

not only leverage the opportunities of hybrid streams available but also deliver the holistic approach required to make sustainable social impact.

1.4.2 *Researcher Bias*

The researcher is in a unique position as the joint Chief Operating Officer of the hybrid and the co-designer of the new organisation model of the family of organisations associated with Shonaquip. The researcher was specifically contracted to resolve the intra organisational drift at the start of 2015 and during the course of the year was also appointed the General Manager of the Uhambo Foundation. As such, the researcher was heavily involved in investigating options for the new social enterprise and drafting the 2016 Memorandums of Incorporation for the Uhambo Foundation as an NPC, the new trusts and the social compact between all the entities. During the course of this process various consultants and other social enterprises were consulted including PricewaterhouseCoopers, Simanye, the Clothing Bank and others. To mitigate any particular bias the research process will also combine personal insights with existing published documents and video material on Shonaquip from more independent sources.

1.4.3 *Research process*

To contextualise this in-depth personal experience, Chapter 2 will summarise a literature review of the historical evolution of vehicles of social change to identify the challenges presented by traditional models, be they corporate, charity, state or individuals, as they strove to sustainably achieve social impact.

The historical evaluation of the evolution of these entities in Chapter 2 will attempt to shed light on the intention of the social change agents at the time and identify the pitfalls, opportunities and lessons learnt over time. This will be followed by documenting the emergence of social enterprises. This will attempt to answer both empirical and non-empirical questions and define a framework against which to evaluate the case study. The empirical evaluation will use secondary data to analyse the history of the evolution of vehicles of social impact in order to determine the causes of the shifts and development of different vehicles of social change. This will be followed by a non-empirical evaluation to address the theoretical question as to the opportunities and limitations of different types of organisations undertaking social impact activities. Both processes will use secondary textual data. This will include a systematic literature review involving a desk review of available literature and research material on the evolution and opportunities presented by hybrid social enterprises. Hybrid ideals will be discussed with particular reference to their role as both civil society and private sector entities.

Chapter 3 presents a policy and content analysis of the relevant legislation and policies supporting enterprises. In order to assess the benefits of each legal entity, the tax and other incentive schemes of both for profit and for purpose will be broken down. This will serve to frame the choices made by Shonaquip during its nearly 25 year history detailed in Chapter 4 and Chapter 5. Chapter 3 will contextualise this legislative and policy framework with examples of other Southern African Social Enterprises.

A literature review was undertaken of a variety of other hybrid social enterprises within South Africa and Africa to document the structures that they have created to deliver

impact in their particular sector as a framework for the solutions reached by Shonaquip. A non-empirical literature review was undertaken to analyse a variety of hybrid social enterprises operating in South Africa. This secondary data analysis will focus on how other organisations have attempted to create hybrids in order to diversify income streams. Published papers, books, and a range of studies on social enterprises along with legislation all form part of this secondary data research.

Chapter 4 will present the main case study. To contextualise Shonaquip, a brief description and summary of the disability sector will be presented both within South African and a global rights context. The World Health Organisation's International Classification of Functioning, Disability and Health (ICF) will be outlined demonstrating the social model of disability and, highlighting the need for the activities undertaken by Shonaquip as a hybrid social enterprise and framing the importance of advocacy and skills development. The ICF forms the methodological basis for Shonaquip and frames both the objectives and organisational structure.

The main case study will utilise both primary data sourced from unstructured interviews and secondary data such as newspaper articles, research papers, video interviews and both published and unpublished documents produced by the organisations. This includes a review of founding documents as well as company/organisation business plans and profiles. Secondary data sources will be used to document how Shonaquip has overcome the challenges presented to social enterprises and to document the evolution of its organisational model over 25 years as Shonaquip has sought to both to maintain financial sustainability and to scale social impact. The evolving legal restructuring of Shonaquip will be outlined and analysed against the themes identified in Chapters Two and Three.

Chapter 5 will conclude the thesis by documenting a new structure to deliver holistic change, taking advantage both of the lessons learnt by civil society and the opportunities presented by different legal entities to match the vehicle to the purpose across a range of different entities sharing one vision. This new structure builds on reflections on the lessons learned within the evolution of Shonaquip that can benefit new and emerging social enterprises as they too seek to deliver sustainable social impact and overcome the challenges inherent in hybrid social enterprises.

1.4.4 Methodology and Data Collection

Case studies traditionally utilise a range of methods to collect data as a way to triangulate and ensure consistency in the information collected (Yin, 2004:8). The fact that the author is co-designer of the new social enterprise model created by Shonaquip presents both opportunities for and limitations. Access to primary data both written and verbal is assured, and interviews with key individuals from across the social enterprise were undertaken. To overcome perceived bias, examples of numerous other organisations are offered – in the form of summaries of existing published case studies and research into the organisations' own published material such as their online profiles and websites.

Semi-structured interviews were undertaken with stakeholders: from Shona McDonald, as the founder and CEO to the management team, board and advisors.

Secondary data was extensively collected from newspaper and academic articles as well as video footage featuring Shonaquip over the past 24 years. The use of multiple historical data sources is intended to secure the reliability of the interviews and hopefully limit misinterpretation or bias. A literature review of previous South African Social Enterprises case studies, and a review of the social enterprises' own material, formed the basis of the comparative case studies utilised to frame the documentation of the Shonaquip experience.

a. Primary Data: Semi structured interviews, articles, case studies and legislation

Numerous academic articles and case studies featuring Shonaquip and other hybrid social enterprises were researched to serve as parallel and alternative models and to demonstrate the opportunities presented by this growing sector to make significant social impact. Academic research was reviewed in light of the evolution of civil society organisations and the opportunities and limitations presented by the variety of legal entities available for a hybrid social enterprise.

An extensive review of internal documentation detailing the organisations involved was undertaken. Original legislation related to the structuring of vehicles of social change, tax legislation and academic articles and peer reviews on the opportunities presented by different legal entities was extensively researched to frame both the history of Shonaquip and the opportunities available.

Semi-structured interviews were undertaken with key staff members and advisors to identify the most valuable lessons from the history of Shonaquip to share with other practitioners. Interviewees were asked to summarise the opportunities presented by the new models that are currently being put in place within the social enterprise.

b. Secondary Data

Newspaper articles, websites and other secondary data summarising the history and evolution of Shonaquip and other social enterprises were reviewed to gain insight into the opportunities and limitations of their legal structures. This was used to contextualise the analysis of the organisational model and mitigate personal bias.

1.4.5 Analysis

The history of vehicles of social change is presented to contextualise the evolution of social enterprises as a “solution” to specific social needs, and to highlight the opportunities and limitations of different legal structures. These are identified by evaluating the history, context and rationale behind the evolution of different vehicles and legal entities. The analysis of different traditional vehicles also identifies a range of key themes against which Shonaquip's evolving model is compared to identify logical integrity in the organisational design.

Through short case studies of other hybrid social enterprises in South Africa and Africa, an attempt was made not only to frame the experience of the evolution of Shonaquip, but also to document alternative options available. This analysis is used to contextualise the rationale behind the choice of the four different legal entities within the Shonaquip hybrid.

1.4.6 Validity and Reliability

By coupling research with existing case studies and recorded interviews with the founder of the social enterprise, it is possible to track the evolution of Shonaquip. Data triangulation aims to enhance accuracy and supports the results credibility.

1.4.7 Limitations

Due to the complexity of the case study and the detail presented, it was decided to not address all the issues regarding the full benefits and lessons from a sociologist/anthropologist/development studies perspective. This deserves to be the focus of further research.

Social Enterprises are an emerging entity with, as will be documented within this thesis, although not explored in depth, with many different origins and resultant philosophical positions. Academic contributions to the study of social enterprises are numerous both from a business management and a social studies perspective and it is not possible to present all of them within the scope of a case study or Master's thesis. In light of the fact that the case study takes place within South Africa, South African and African examples hold pre-eminence.

By focusing on one hybrid social enterprise, it is not possible to generate an overarching model applicable to other hybrid social enterprises. The scope, scale, objectives and sector in which social enterprises operate would make this redundant.

There is a risk of personal bias as the author is currently employed within the social enterprise as the Chief Operating Officer responsible for the strategic design of the new organisational model as well as the process of reintegrating the existing for-purpose company and the non-profit organisation. However, as there is already extensive published research into Shonaquip as a social enterprise dating from before the appointment of the author, as well as significant research into the sector and short comparative case studies, it is hoped to limit this bias.

1.4.8 Ethics

The researcher is both the COO of the social enterprise and the General Manager of the Uhambo Foundation. The thesis topic was discussed extensively in conjunction with the Founder and CEO of Shonaquip prior to initiating this research. Secondary data will be the predominant source of information in addition to personal experience, although semi structured interviews were held with key stakeholders within the management team.

This study is also governed by the ethical process of the University of Stellenbosch which governs the actions of the researcher, the protection of participants and the security and confidentiality of both respondents and information. Full permission was granted by Shonaquip to access information not in the public domain. All interviewees were given information prior to providing written permission and following their interviews. Anonymity was not requested but offered to all participants and confidential data was stored securely.

1.5 Relevance of the Case Study

The need for social enterprises as vehicles for social impact has been extensively documented. This research has however largely focused on the ability of social enterprises to generate income for parallel civil society initiatives and the ability of social enterprises to contribute to job creation and economic development rather than effect social impact in and of themselves. It is important therefore for academic research to document the opportunities available for social enterprises to sustainably deliver social impact in a holistic and community focused manner to improve opportunities of best practice for practitioners.

South Africa's stagnant economy and the retraction of international grant funding has resulted in many civil society organisations depending on the state for support. This allows state enterprises to deliver programmes efficiently and from within the communities they serve; however, this has undermined and continues to undermine the autonomy and independence of the civil society sector in South Africa. This will be discussed in more detail within the thesis. There is therefore a need for new, efficient and sustainable civil society vehicles for delivery of social change – both to ensure service delivery and community empowerment, and to overcome this dependency.

There have been global shifts and trends over the history of civil society as models evolved to respond to changing perspectives and opportunities. This study hopes to highlight these in order to outline ways to leverage opportunities and to mitigate the risks and restrictions of traditional organisational structures. It also hopes to demonstrate the importance of recalling the civil society legacy of social enterprises with a view to improving their impact.

The Shonaquip model is of particular interest as it seeks to address the entire scope of social change within a sector: from direct service delivery, through capacity building, beneficiary co-production to community mobilisation and advocacy. This is based on the belief that to sustainably shift society a holistic approach is needed.

It is intended that this research will provide academic researchers and practitioners with insights into the real world experience of a social enterprise within a low resource country, as well as inspiring others to take advantage – and avoid the pitfalls – of the hybrid social enterprise structure.

1.6 Summary

The aim of this chapter has been to clarify the focus, purpose, methodologies and context of the case study on Shonaquip and its evolution as a vehicle for social impact.

This research is an intrinsic case study focusing on Shonaquip as a hybrid social enterprise and the evolution of the family of organisations designed to overcome the limitations of any given legal structure to impact holistic social change through varied programme delivery and multiple income streams. It is intended that this descriptive study, in presented in context with other hybrid organisation, will provide insight for practitioners and researchers alike.

The following chapter will examine the evolution of the various traditional vehicles of social impact and the research on the emergence of hybrid social enterprises. Historic vehicles will be analysed, assessing the opportunities and restrictions offered by traditional and legal entities. This is followed by a literature review documenting the evolution of social enterprises as social change vehicles, the emergence of hybrid social enterprises and clarification on the hybrid ideal. The shortcomings and limitations of traditional models will be unpacked and form the basis of the themes against which the realigned Shonaquip model will be presented. These themes include financial sustainability, dependency, advocacy and mobilisation, the role of volunteers, and scaling social impact while maintaining vision focus and unity of purpose.

It is hoped that this thesis will contribute to the knowledge and theory of social enterprises as vehicles of social change, and that reflections on potential areas for future research will be addressed. It is envisaged that it will contribute to the debate about how hybrid social enterprises are more than merely vehicles for economic development as they can also serve as important contributors to the civil society sector.

Chapter 2: Organisations for Social Change

2.1 Introduction

As discussed in the preceding chapter, social enterprise academic institutions are largely found within business schools. As such, literature related to the evolution and the framing of the emergence of new models of social enterprises has, over recent years, and particularly in South Africa, started to ignore the civil society foundations of social enterprise.

There are numerous different vehicles (or organisational structures) of social change, ranging from formal entities such as the state to large companies, foundations and non-profit organisations to grass roots volunteer organisations. Each has however made a choice, selected a focus, and indeed reached a compromise in its moment of inception. These choices relate not just to the sector in which they choose to make a difference but also, just as importantly, to income source, manpower, operational management and the legal, commercial and financial legislation that will (or won't) apply to their operations.

Each choice has its benefits and its limitations. It is pertinent in discussions on emerging models to reflect on the history of the sector and learn from the lessons gained in this evolution.

The focus of this chapter is on the history of the evolution of social change vehicles; the current options of legal structures; and the possible options available for hybrids and mixed organisational design. The benefits and limitations of each vehicle of social change will be discussed and lessons learnt will be framed as themes for discussion in the case study.

The conclusions drawn from the history of social change vehicles as well as the restrictions and opportunities presented by each model will form the basis for discussion, in Chapter 4, on the evolution of Shonaquip as a hybrid social enterprise looking to address a range of different social needs within the disability sector.

The conclusions drawn from the private sector and the current legal options available to social enterprises will frame the choice of legal entities of the new Shonaquip hybrid model.

While there will be a focus on South African examples, legislation and framework, it is important to place these shifts in organisational design in a global context not least as they relate to the legal models that have evolved to support the dual objectives of social enterprises.

Within the sector, vehicles of social change are surprisingly diverse. They range in their objectives, scope and scale as well as in structure from grass roots and informal collectives to multibillion dollar foundations. Their sources of revenue vary from dependency on donations, to state support all the way to those receiving their income through the sale of goods and services. Governance varies from membership organisations, family trusts through to directorships and boards of trustees.

2.2 Evolution of Social Change Vehicles and Models

From the earliest of days, as communities came together, civilisation has depended on the kindness of strangers. The evolution of these vehicles of social change followed in response to changing societies, politics, crises and needs (National Philanthropic Trust, 2016).

Non Profit organisations (NPOs) form the most rapidly growing sector in the world (Hall, 2010:3) and in their current manifestations are relatively new; and the concept of a “NPO sector” itself dates back only to the 1970s (Lewis, 2009:6) and over 90% of current organisations date back only to the 1950s (Hall, 2010:3). This evolution will initially be discussed globally and then in more detail for the period following 1994 with a strong focus on South Africa.

2.2.1 *Early vehicles of social change: The Church and State*

Prior to the end of the Medieval Period, public good was coordinated largely through the largess of wealthy feudal lords and the religious infrastructures (Davis, 2014:935). While social support such as foundling homes and the distribution of tithes were for the benefit of the poor, advancements in education, science and culture were often the preserve of, and were funded by, the elite structures and were used by some to advance socially (Davis, 2014:935).

The increasing number of poor people in the 12th and 13th centuries led to the first attempts at written systems to integrate both religious law and social conditions. Even at this early stage, the systems discussed were “deeply intertwined with attitudes toward property and ownership, and prevailing assumptions concerning proper distribution, ownership, and other social obligations of property” (Seif, 2013). The end of the medieval period saw the end of rural feudalism and mutual obligation between landowner and serf. Urbanisation sparked the introduction of new social and religious structures from the Reformation to the end of the Ottoman Empire.

During the 17th and 18th centuries there was little demarcation between public and private entities. Religious congregations were public corporations and supported by taxation. While colleges, churches and municipal entities accepted gifts and bequests, they were sustained by government grants and where governed by churches they did so as agents of government supported churches (Hall, 2010:5). Within the colonies, during these early days of settlement, including both South Africa and America, citizens and settlers often maintained roads, built public buildings and participated in militia duties. These services, while resembling modern volunteering, were often required by law (Hall, 2010:5 and Steenkamp, 2012). These profound changes gave rise to modern philanthropy, shifting the focus to urban centres and the support network changed from religious institutes to entities of the state (Acs, 2013:108).

2.2.2 *1750 – 1890: Private Philanthropists, Social Reformers and Charities*

The Industrial Revolution, the Napoleonic Wars, Colonisation and the American Revolution resulted in a generation of refugees, widows, orphans and unprecedented unemployment. These new social and economic crises, rapid urbanisation, factories and tenement housing created social need on a scale never previously experienced.

At the same time, the emergence of commercial entrepreneurs created a new sector of wealthy individuals uncoupled from traditional structures. Private philanthropists and reformers raised social consciousness about the public responsibility for those in need (National Philanthropic Trust, 2016).

The French Revolution and the emergence of “natural rights” lead to a greater questioning of the authority of government and the evolution of voluntary associations and the establishment of grass roots mutual aid, economic organisations including trade associations, and trade unions – although these entities had no legal framework (Saharay, 2011:410). Freemasonry spread rapidly through the colonies and lead to new forms of volunteer organisations (Hall, 2010:6).

By the early 19th century, with increases in tax income, states had begun assuming the responsibility for distributing relief from towns and counties. As government responses proved largely insufficient to address the growing social problems, private benevolent societies and self-help organizations as the predecessors of Public Benefit Organisations (PBOs) played increasing roles in this regard (Tannenbaum and Reisch, 2001).

In South Africa the term “philanthropy”, for many people, still reflects an historical legacy of paternalism and evangelism. The missionaries of the 19th century retained a paternalistic mind set and “looked after ‘the poor natives’, saved their souls and pushed the borders of the empire” (Gastrow, 2008). However, wealthy philanthropists in Southern Africa also were fundamental to the development of some of the best (and most historic) schools in South Africa. This includes the Cecil John Rhodes endowments which led to the University of Cape Town (UCT, 2016).

As autonomous entities, charities, alongside foundations, have been the mainstay of response to social need since the Industrial Revolution. There is, however, strong criticism of traditional charitable giving based on the belief that simply transferring funds and resources to those in need creates dependency, isolation and, in the long term, negative effects.

“But (charity) is not a solution: it is an aggravation of the difficulty. The proper aim is to try and reconstruct society on such a basis that poverty will be impossible. And the altruistic virtues have really prevented the carrying out of this aim. ... charity degrades and demoralises. ... Charity creates a multitude of sins.”
(Wilde, 1910:1)

2.2.3 1890 – 1994: Foundational Philanthropy and a new understanding of charity

Foundational Philanthropy and Community Based and Grass Roots Organisations could not be more poles apart. The turn of the century lead to massive socio-economic shifts, both in prosperity and the emergence of the civil rights and liberation movements. The impact of the two World Wars and the role of the existing colonies in these struggles led to seismic shifts in geopolitics and the economy. Within South Africa, the emergence of these new vehicles of social change was more protracted than most, in part as a result of apartheid.

a. Foundational Philanthropy

Where the macro socio-economic shifts of the 19th century required a response to immediate need, a prosperous turn of the century, coupled with criticism of unfocused giving, inspired the development of new understandings of philanthropy designed to have a sustainable impact. The wealthy elite were encouraged to distribute their wealth for public good with a focus on long term social upliftment leading to improvements in education, culture, science, and public health globally.

These foundational and routine philanthropic vehicles remained the mainstay of social change vehicles into the 21st century (National Philanthropic Trust, 2016). Many of the main funding bodies within South Africa arose during this time. This includes the De Beers Foundation, the AngloAmerican Group Foundation, the DG Murray Trust and many others.

b. Cooperatives

One of the origins of social entrepreneurial activities is cooperatives which have looked to self-generate funds for social impact as from the mid-1800s (Alter 2007:2). The first South African Cooperative, the Pietermaritzburg Consumer Cooperative, was registered in 1892 (Littlewood & Holt 2015(a):12). A Cooperative is defined by the International Cooperative Alliance (quoted in Alter 2007:2) as “an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise”. The trade union movement emerged from this history as did social enterprises in Europe where the legal framework in most countries remains a form of cooperative.

c. Community Organisations and Grass Roots Movements

In counterpoint to traditional “charities”, many of whom were based either in the elite structures or not within the communities themselves, community and grass roots organisations emerged. These organisations were self-directive and focused on finding local solutions to their social challenges.

Within South Africa, this period was one of stark resistance to the state as grass roots organisations functioned as resistance bodies, political advocacy bodies, or groups to fill the service delivery shortfalls of the apartheid government (CAF, 2012:10). The African National Congress was itself founded in 1912. By 1999, the Swilling and Russel (2002) study on the size and scope of the non-profit sector in South Africa found that there were approximately 100 000 NPOs in the country.

d. The Shift from Charity to Non-Profit and Non-Governmental Organisations

The 1970s saw the rise of the “third economic sector, consisting of ‘voluntary’ organizations. Non-governmental in legal form, and yet seemingly different in objectives and behavior from private profit-seeking firms” (Weisbrod, 1972:1). The impact of the emergence of Community and Grassroots Organisations, coupled with the shift away from unfocused giving, reframed the non-profit and “charity” sector into organisations focused on programme delivery and sustainable impact. While in Britain the term “charity” remains (the Charity Commission, 2013), the shift has been towards

framing the sector as non-profit, non-governmental organisations or third sector although there remains a lack of clarity on terms (Hall, 2010:4).

2.2.4 Post 1994 Vehicles of Social Change in South Africa

It is clear that there have been seismic shifts in the role and nature of vehicles for social change, reflecting not only the socio economic climate, but also an evolution of the roles of different sectors in society as a whole. While religious institutions have for centuries played a fundamental role in social change, for the purposes of this research their role will be discussed under the auspices of non-profit organisations – which is their most common legal framework. Globally shifts through the 1980s and 1990s clarified a post-modern understanding of the three sectors of society: namely public (or state), private (individuals and corporations) and a third sector often called the non-profit and civil society sector (Lewis, 2009:4 and United Nations, 2016). There have been significant sectoral shifts since 1994 impacting the role and opportunities for social impact entities both globally and in South Africa.

a. The South African Public Sector

“The care of human life and happiness and not their destruction is the first and only legitimate object of good government.” – Thomas Jefferson to Maryland Republicans, 1809

Democracy brought with it a reshaped understanding of the role of the state as a vehicle for social change. One goal contained in the Preamble to South Africa’s final Constitution (Constitution of the Republic of South Africa, 1996) is to “improve the quality of life of all citizens”. The South African government is committed to the concept of networked governance and both partnering with, and shaping, the role of the non-profit and corporate sectors as stakeholders in social change (DSD, 2005 (a), DSD, 2005 (b), DSD 2005 (c) and DSD, 2016). One of its roles as a vehicle for social change therefore lies in the incentives, directives and punitive activities undertaken by the state to direct social change. The state, as a tax collecting and financially regulatory body, has significant influence in shaping social change.

The shift to New Public Management resulted in the proactive outsourcing of government service delivery. This task shifting, along with the introduction of business principles into the public sector, has unexpected consequences for Civil Society Organisations (CSOs) and opportunities for partnership with the private sector. The specific legislation, guidelines and policies that relate to the encouragement, support, limitations or control of other social change entities will be discussed in the relevant sections below.

The support for NPOs as co-delivery partners in social change has been a clear policy of the South African government since the 1997 White Paper on Social Welfare. This was further refined in the 2005 Integrated Service Delivery Model for Social Welfare and the 2004 draft Policy on Financial Awards (PFA) which specifically relates to New Public Management. In the recent consultation workshops held by the Department of Social Development with the NPO sector, the Pre-consultation information pack stated that “The funding of NPOs, especially in the Social Development sector, is of national interest” (DSD, 2016:13) and that the objectives of the PFA include:

“Establish the funding relationship between the Department and service providers that render developmental social welfare services ... (and) ... (p)rovide a tool to facilitate the transformation of social welfare service delivery.” (DSD, 2016:7)

The Department of Social Development clearly identified its desire to direct the services of CSOs through the allocation of funding and sees clear crossovers between the state and NPOs as below.

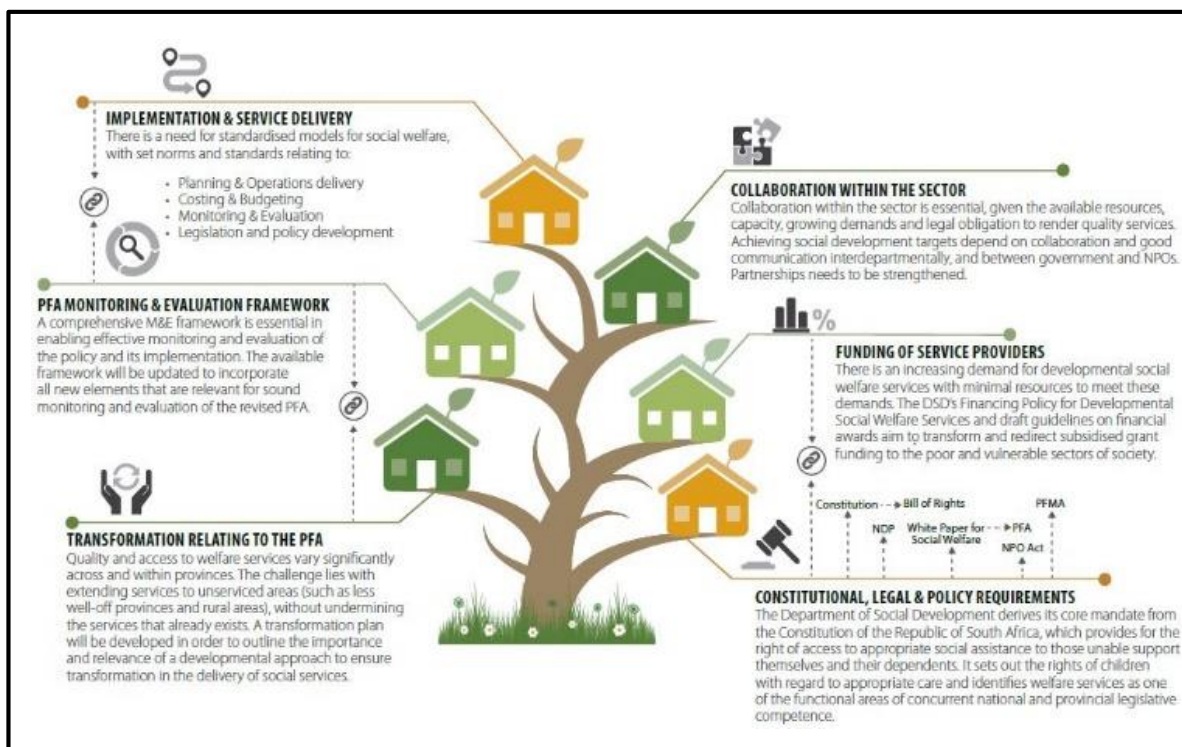


Figure 1: DSD Pre-consultation information pack 2016 (DSD, 2016:9)

b. The South African Private Sector – Corporates and Foundations

He who pays the piper calls the tune. – Traditional proverb (Cambridge Idioms Dictionary 2013)

There is no doubt that companies through corporate social investment (CSI) initiatives and foundations make significant impact on, and indeed often set direction for, social change. As such they are crucial vehicles of social change (Leisinger, 2007).

i. Philanthro-Capitalism and Creative Capitalism

This history of philanthropy has continued in South Africa through the likes of Harry Oppenheimer and his recent endowment of the R1 Billion Oppenheimer Memorial Trust. Others like Raymond Ackerman have founded numerous trusts as well as organisations such as Afrika Tikkun. More recently businessmen such as Patrice Motsepe, Cyril Ramaphosa and Tokyo Sexwale have all donated significantly to trusts and foundations, committing significant portions of their assets to make a positive impact on society (Nxumalo, 2013 and Gastrow, 2008).

Across the continent there is a significant movement amongst the wealthy to give back to their communities, because, according to the Executive Director of the Southern Africa Trust, Neville Gabriel, (quoted in Nxumalo, 2013)

“many newly rich people in Africa do feel a strong social responsibility to give back to the communities from which they came. Across the board, there does seem to be a recognition that, with the levels of deprivation and injustice that we see in our world today, our common humanity demands a giving response from those who have more”.

ii. Corporate Social Investment and Corporate Social Responsibility

Corporations continue to play a significant role in South Africa as vehicles of social impact. Since 2013, the state has aggressively incentivised and directed the role of corporations in this regard in line with their transformation agenda through the use of broad based black empowerment legislation. This will be discussed in more detail in Chapter 3 as these incentives are key when considering the most appropriate organisational structure, or hybrid of organisational structures, to deliver on a specific social need. It is worth remembering that the corporate agendas not only impact on their own activities, but also on the civil society organisations that they sponsor.

iii. State restrictions on donations

Corporate Social Investment (SCI) and Corporate Social Responsibility (CSR) in South Africa prior to 1994 (and indeed prior to the enactment of the new act, The Companies Act 71 of 2008) followed the traditional British legal position in relation to CSR. As a result, all activities undertaken by a company had to be in line with the interest of the company which significantly limited the amount that could be donated. In 1963, the court held in *Amalgamated Society of Woodworkers of SA v. Die 1963 Ambagsaal-vereniging* 1967 (1) SA 586 (T) that:

“... the power of a corporate body to donate a major asset cannot be lightly inferred [...] donations should [...] be limited to such donations as are reasonably incidental to the carrying on of the activities of the donor or which are for the benefit of the donor”.

Despite the fact that many corporate entities' Memorandums and Articles of Incorporation include the potential to make charitable donations, there is a primary fiduciary responsibility. As a result, CSR was hinged on what would create branding opportunities, what would enhance public image and tax rebate opportunities.

iv. State incentives for CSI and CSR

It is important to note that in South Africa, particularly within large industries such as the mines, there has started to be a shift from an historical understanding of CSR being charitable donations and support for good causes to addressing social change – particularly the growing social problems around the mines themselves. This shift has been driven not by a business case but rather by state through legislated transformation (Hamann, 2004: 278).

This state legislated transformation indirectly compels businesses to undertake CSR. Examples include (but are not limited to) the Broad-Based Black Economic Empowerment Amendment Act, Act No. 46 of 2013 (the B-BBEE Act).

The Department of Trade and Industry has issued numerous Codes of Good Practice under the B-BBEE Act including the Broad Based Black Economic Empowerment Amendment Act No. 46 of 2013. These provide a framework and a generic scorecard giving weighting to the following elements: ownership; management and control; employment equity; skills development; preferential procurement; enterprise development and socio-economic development. While there are no penalties for failure to comply, there are significant incentives as compliant companies' status will define the extent to which they can function in the public and private sectors (Ramlall, 2012:273).

Nkwezu (2007 in Ramlall, 2012:273) is however of the opinion that, although the DTI Codes are meant to serve as business guidelines, "implicit punitive outcomes of non-compliance belie arguments of 'voluntariness'". She concludes therefore that CSR in South Africa is both an "economic and political expediency".

Other initiatives in South Africa relating to a broader approach to CSR include the King Codes on Corporate Governance in South Africa. The King Code of Governance Principles for South Africa, 2009 (King III) was released in 2009. King III established standards of corporate governance and the concept of measuring a company against a triple bottom line of economic (profit), social (people) and environmental (planet) achievements first coined by John Elkington in 1998 (Elkington, 1998).

The internal conflict, often inherent in these bottom lines, was raised at the World Summit on Sustainable Development (held in South Africa in 2002). Corporates reported that they were restrained by financial markets that focus on financial returns where on the other hand NGOs felt that corporations were insincere in relation to their CSR (Hamann et al., 2003 in Ramlall, 2012:283).

"One implication of this polarisation is that, during the [World] Summit [on Sustainable Development], both sides found it difficult to acknowledge potentially valid arguments of the other camp. Neither was there the possibility of a reappraisal of common assumptions or arguments." (*Hamann et al., 2003 in Ramlall, 2012:283*).

A counter argument however that Milovanovic (2010) uses is that "BBBEE (and other) initiatives should be viewed as business opportunities, where organisations cooperate with partners who add value to the business, not a cost to be borne by existing shareholders".

Kolk, van Tulder and Westdijk (2006) in their analysis of the role of Multinational Companies cite the fact that the United Nations' Millennium Development Goals reference a "global partnership for development" in which there is a role for companies. Although both sides lack trust, and there are fundamental challenges with amalgamating the objectives not only of a triple bottom line but also between often competitive agendas, there remain significant opportunities in partnership.

v. Limitations and Challenges of Private Sector involvement in Social Impact Initiatives

A strong criticism of these new "philanthro-capitalists" (Ashton, 2013) and "creative capitalism", particularly foreign philanthropists such as the Bill and Miranda Gates

Foundation, has been that their desire for data and control leads them to direct many of their resources towards the biggest and most accessible NGOs that can absorb large amounts of funding; and moreover that their funding may indeed not be for selfless agendas and is often entwined with the donors' own ideology, politics and ego (Nxumalo, 2013; Gastrow, 2008 and Gabirondo, 2008).

Moreover, particularly in countries where donations are encouraged by significant tax rebates, philanthropic donations may be seen as a way for the wealthy elite to control the social changes that they wish to achieve while effectively removing these same funds from the public sector disbursement – thus playing Robin Hood and the Pied Piper at the same time.

c. The South African Civil Society Sector

“Never doubt that a small group of thoughtful, committed citizens can change the world; indeed, it's the only thing that ever has.” – Attributed to Margaret Mead

There are numerous, and contested, definitions of civil society but the sector is broadly understood as occupying the space between the state, the market and the family. In the United States of America this is often referred to as the ‘voluntary sector’ (irrespective of whether the staff is paid or not); the non-governmental (NGO) or Third Sector in the United Kingdom; and in South Africa the ‘non-profit sector’. Civil society encompasses all the ways in which communities organise, provide services and undertake policy and advocacy activities (CAF, 2012:9).

Within South Africa, a Non-Profit Organisation (NPO) is defined, in section 1 of the Non-Profit Organisations Act No. 71 of 1997 (NPO Act), as:

“a trust, company or other association of persons established for a public purpose and of which its income and property are not distributable to its members or office bearers except as reasonable compensation for services rendered. Nongovernmental organisations (NGOs) and community based organisations (CBOs) are collectively known as non-profit organisations (NPOs). In some instance, NPOs are also referred to as Civil Society Organisations (CSO).”

For the sake of this research, Civil Society Organisations (CSOs) will encompass the range of social impact vehicles outside of the public and private spheres including registered charities or NPOs, trusts, foundations, volunteer and grass roots community organisations.

The term “non-profit organisations” has multiple meanings internationally and is often considered, incorrectly, to be a single organisational structure. The DG Murray Trust presented a simple framework at the “International Charity Law: Comparative Seminar” in Beijing, China in October 2004 (DGMT, 2004). It proposes four primary layers.

1. There are three options for non-profit organisations including: voluntary associations, non-profit companies (NPCs) (previously section 21) and non-profit trusts which are recognised in common and statutory law.
2. All of these entities may then register as Non-Profit Organisations (NPO) in terms of the Non-profit Act providing they meet certain criteria in terms of objectives.

3. NPOs can choose to register as Public Benefit Organisations (PBO) under the Income Tax Act. This gains access to a range of tax benefits, including income tax exemption.
4. PBOs, in turn, can apply to the tax authorities for the right to receive tax-deductible donations. These PBOs receive so-called donor deductible status including the right to issue Section 18A certificates but must comply with the set of activities outlined in Part 2 of the Ninth Schedule of the Income Tax Act (DG Murray Trust, 2004:2).

Within South Africa, it is a criminal offence in terms of section 29 of the Non-Profit Act to operate under the false pretence of being a registered NPO.

While it may appear that the intention to “do good” is the root definition of NPOs and charities, in fact, the most defining characteristic of legally registered non-profit organisations is their exemption from income taxes and the ability to receive tax-deductible donations (Hall, 2010:3).

There are, as has been outlined above, numerous other vehicles whose founding purpose is some form of social impact, but what differentiates registered NPOs and CSOs is not their activities, but rather their source of funding. This presents benefits and limitations. NPOs are able to conduct activities without the pressure of income generation activities but are at the whim of funders. Their impact measurements are entirely based on the value associated with their output.

During the years of the apartheid regime, CSOs played a key role in limiting the effects of apartheid’s unequal development through the provision of services and played a strong advocacy and active role in mobilising opposition to the apartheid government (CAF, 2012:9).

The economic shifts since the 1980s and the resultant reappraisal of social policy has resulted in the emergence of a new role for CSOs. As a result, key activities, previously delivered under the welfare state model and areas of community development, are now dependent on the CSO – both the more formal NPO sector and volunteer organisations (Bussell and Forbes, 2002:244).

As has been mentioned, the shift to New Public Management occurred after independence. This introduction of business principles into the public sector also brings about the change that one is seeing in the NGO sector: a focus on the ‘bottom line’ that sometimes contradicts the public value creation aim of the public sector and indeed, by directing civil society towards a national transformation agenda, is limiting the scope and focus of organisations.

“This has far-reaching implications in terms of the relationships that government has with NPOs. It also places an obligation on government to redirect the current and to provide new resources to ensure equity, redress and transformation within the NPO sector, so that institutional capacity is built in areas that are under-resourced” (DSD, 2016:9) .

The recent Provincial Consultation Session on the National Policy on Financial Awards defines that:

- Government's role is to provide leadership in planning and funding the continued provision and roll-out of social welfare services.
- Government has limited capacity for the delivery of services.
- Through partnership, Government wishes to leverage NPOs' service delivery capacity by allocating funding to them (DSD, 2016:9).

"This implies that the focus should be on the efficiency, economy and effectiveness of programmes and best practice financial management." (DSD, 2016:11)

As a result of the ever increasing need not being met by governments globally, the scale and scope of the NPO sector has increased dramatically. Over the 10 years from 1996/97 to 2006/07, the income generated by the sector in the United Kingdom almost doubled, from £17 billion to just over £33 billion, and in certain fields of public service delivery globally civil society has become a significant player (Etherington, 2010).

In South Africa, this same period was drawing to a close one of stark resistance to the state in which grass roots organisations were not only resistance bodies and political advocacy bodies but also groups to fill the service delivery shortfalls of the apartheid government (CAF, 2012:10). By 1999, the Swilling and Russel (2002) study on the size and scope of the non-profit sector in South Africa found that there were approximately 100 000 NPOs in the country.

After independence in South Africa, thousands of leaders of opposition organisations left the sector to take up roles within the government structures. Commercial opportunities drained the sector of further experience. Still other organisations lost their relevance following liberation. At the same time, donors, particularly international donors, began to become more sophisticated in their funding and partnership process. According to Kuljian (2009:125), "International funding priorities began to focus more on developmental goals and to have greater programmatic coherence".

The situation following the 1994 democratic elections became even more difficult for local NPOs dependent on funding as many international funders chose to support the new government by funding programmes delivered through government structures.

The recent economic downturn has put an even greater pressure on NPOs with a retraction both in international donor funding and in CSI donations (Stuart, 2013). The Charities Aid Foundation assessment on the Sustainability of the South African Civil Society Sector (CAF, 2012:11) reported that the bulk of financial resources for the NPO sector came from domestic sources: mainly from government (42%), the South African corporate sector (21%) and 34% from self-generated income.

As will be discussed below, many organisations – particularly those founded within an oppositional history and particularly community based organisations – faced a dilemma: to join the state, or to maintain their mandate. At the same time, many NPOs have difficulty in accessing government support, in large part because government's focus is on social security typified by government's provision of social grants (which are direct cash transfers) and is perceived to be strongly remedial and maintenance orientated. (Lombard, 2008:3)

Civil Society Organisations have recently started to suffer from government criticism of the sector. This includes accusations about fostering hidden agendas and colluding with foreign governments (John, 2012 and Child, 2013). This is a worrying precedent. NPOs are therefore both dependent on, and wary of, partnerships with or in opposition to government. The increasing sectoral dependency is a risk.

Variations within CBOs have been mentioned above. Community Based Organisations, NGOs, Voluntary Associations and Advocacy organisations have all played a significant role in creating sustainable social impact. Each organisational structure (if not legal body) represents a key evolution in civil society based on emerging needs.

The three legal entities available to civil society organisations of Voluntary Associations, Non-Profit Companies and Non-Profit Trusts will be discussed below, followed by an outline as to four of the numerous types of civil society organisations, namely: Community Based Organisations; Advocacy Organisations; Volunteer Based Organisations; Capacity Building Organisations and Service Provision Organisations (all of which can be housed within the three legal structures mentioned) which, as documented earlier, evolved as social impact vehicles attempted to create structures that delivered social change. For the purposes of this study faith based organisations and environmental organisations will not be discussed.

In the 1980s a more diversified range of organisational models emerged (Diani & Donati, 1999:13). What is more, NGOs have multilevel characters (Beer, Bartley, and Wade, 2012) and in addition to being Grass Roots Organisations, Community Based Organisation, Faith Based Organisations etc. they may also be Advocacy Organisations, Service or Capacity Building Organisations and their particular sector of interest may range from Arts and Culture to the Environment or Women's Rights. As a result, non-profit organisations can be subdivided on four levels, and may be a combination of any of the below.

Table 1: Levels of Subdivision of Non-Profit Organisations

LEVEL	OPTIONS
Legal Entity	Voluntary Associations, Non Profit Companies and Non-Profit Trusts
Governance (including Participants and Accountability)	Community Based Organisations; Faith Based Organisation; Grass Roots Organisations; Volunteer Based Organisations
Activity	Advocacy Organisations; Capacity Building Organisations; Service Provision Organisations
Sector	Art, Children, Culture, Disabilities, Economic Empowerment, Education, Employment, Enterprise Development, Environment, Health, Human Rights, Minority Rights, Sports, Women, Youth etc.

A particular organisation could therefore be a Faith Based, Grass Roots, Capacity Building Voluntary Association focusing on service provision to Women and Youth. As

individuals or collectives consider the most appropriate model to deliver on their objectives, it is important to understand each of the major options within these levels.

i. Voluntary Associations

It is important to distinguish between the legal entities of Voluntary Associations and Volunteer Based Organisations. All civil society organisations are able to leverage volunteers. Voluntary Associations are in contrast a specific legal structure.

A Voluntary Association is an organisation established in terms of Common Law. It requires an agreement in the form of a written or unwritten constitution between three or more people. Within South Africa a voluntary association can register as a Non-Profit Company with all the tax incentives that this brings. Registration of Voluntary Associations is simple and requires an agreement between three or more people to form an organisation to achieve a common non-profit objective. The agreement can be verbal (DGMT, 2004:3).

Voluntary associations are suitable for small community-based organisations that do not need to own or manage substantial amounts of money or valuable property and equipment in order to carry out their activities. Funders however often prefer more formal structures because of the lack of government regulation and statutory control (Shragge, 2013: xxii).

ii. Non Profit Companies

A non-profit company (NPC) has replaced the previous Section 21 companies as one of the main formal forms of legal entities for civil society organisations. NPCs are companies incorporated for public benefit or other object relating to one or more cultural or social activities, or communal or group interest (CIPC, 2016). According to the Companies Act 71 of 2008, NPCs must have a minimum of three directors and the income and property of a non-profit company cannot be distributed and must be used to promote the purpose set out in its MOI. NPCs can be registered with or without membership (CIPC, 2016). The benefit of NPCs is the regulation of the liability on the directors, as opposed to Voluntary Associations, and the ability to reassure funders that the company is regulated appropriately.

iii. Non Profit Trusts

Trusts are governed by common law and the Trust Property Control Act and may be established for either private or public purposes which are outlined in the organisation's trust deed. As a Trust it lacks legal personality, and technically it holds property in the name of its trustees, which increases the burden on trustees (DGMT, 2002:4). It is common for a trust to be formed particularly when there is an endowment. Trusts are regulated by the Trust Property Control Act, No 57 of 1988 ("the Trust Act").

The trustees of trusts function similarly to the managers of a company and manage the assets of the Trust for the purpose and the objectives as set out in the Trust Deed for the benefit of the beneficiaries. Beneficiaries are the individuals, organisations or institutions which qualify to benefit from the Trust through either income or capital. Beneficiaries have either vested rights, whereby they are entitled to something, or discretionary rights, whereby potential beneficiaries are only entitled to receive a benefit once the Trustees have made a decision to benefit them (The Trust Act, Act 57

of 1988). The nature of trusts whereby they deliver income and or capital for beneficiaries means that many trusts do not deliver programmes themselves, but rather distribute funds to positively contribute to their beneficiaries either directly to beneficiaries or through other entities which provide services or programmes designed to create positive benefits for beneficiaries stipulated in the trust deeds. While this is not always the case, a typical example is the Empowerment through Partnership Trust which Shona McDonald founded in 1992.

Within the South African Legal system, trusts are able to register as Public Benefit Organisations and therefore deliver similar levels of donor deductible status including the right to issue Section 18A certificates as long as the activities of the Trust complies with the list of activities outlined in Part 2 of the Ninth Schedule of the Income Tax Act (DGMT, 2004:2).

There are a number of different types of trusts including the new format arising out of Section 30C of the Income Tax Act No 58 of 1962 as amended in 2000 which is a trust specifically to support enterprise and skills development rather than general public good (Republic of South Africa, 2014).

iv. Grass Roots Organisations

Like NGOs and Community Based Organisations, there is no single legal structure that classifies a grass roots organisation, although many are informal. Grass roots organisations emerged during the French Revolution as self-directive and focused on finding local solutions to their social challenges (CAF, 2012:10 and Shragge, 2013:xxi). There are a plethora of terms from 'people's organisations' (POs), 'self-help organisations' (SHOs) and 'grass roots organisations' (GROs). The common characteristic is that they are typically membership organisations that seek to advance their own interests (Uvin, 1995:495). A characteristic that grass roots organisations share with community based organisations is that they are accountable to their membership base or constituents rather than to a board of trustees or directors. Grass roots organisations commonly have limited organisational structures and the process of scaling and of securing finance (as mentioned earlier) typically leads grass roots organisations to become Community Based Organisations or NGOs.

v. Community Based Organisations

Community Based Organisations (CBOs) is a slightly more umbrella term than GROs. CBOs are not a single organisational structure and can be both formal (in the case of community based NPOs) or informal grass roots organisations sometimes registered as voluntary associations. They play a unique role within the Civil Society Sector as they can mobilize people around their own interests to act in an organised way (Shragge, 2013: xxi). It is important to note that in the NPO Act No. 71 of 1997, community based organisations are specifically mentioned despite there being no formal legal structure. In many cases CBOs are voluntary associations. Some informal CBOs such as local initiatives remain sustainable. Funding bodies however are not supportive of informal structures which impacts on growth and often puts pressure on organisations to become more organised in order to secure funding. Moreover, the process of organisation itself often leads to formalisation (Shragge, 2013: xxii) as community based legally registered NPOs.

The withdrawal of, or reduction in, state service provision has led community based organisations to take responsibility for various sectors and they are now consulted by the state on policy issues (Shragge, 2013:48). This leads to further complexity and often uncomfortable compromises.

Community organisations are faced with two distinct choices, either that of an oppositional force that raises demands, mobilises or represents the needs of its constituency, or to be part of providing institutionalised services. Through institutionalisation, and particularly as they receive funds from the state, community organisations become state extensions and lose their oppositional character (Shragge, 2013:xxxiii). This is certainly the case in South Africa (Habib and Taylor, 1999:80).

Community based organisations make up nearly half of the registered organisations in South Africa (Swilling and Russell, 2002:20) and play a vital role within civil society as they are able to ensure that the voice of beneficiaries remains the driving force behind action. This is in counterpoint to the directives from funders and large organisations.

vi. Non-Governmental Organisations

Within South Africa this terminology does not reflect a legal entity. According to Lewis, there is not only no consensus about the definition of non-governmental organisation, there is also a bewildering variety of labels (Lewis, 2009:1). In his opinion, this is due to the fact that, “NGOs are a diverse group of organisations that defy generalisation, ranging from small informal groups to large formal agencies” (Lewis, 2009:2). These have been discussed in some detail above, but this section is to clarify the difference between NGOs, GROs and CBOs.

Lewis also highlights two different types of NGOs. The first, which includes CBOs and GROs, are based on membership. The other, referred to as intermediary NGOs, are organisations dedicated to social impact and with a non-profit basis. They exist to fulfil and deliver on the interest of others and in terms of their nature they can be national or international. NGO, as a term used in distinction from CBOs and GROs, implies an organisation whereby the staff does not reflect the beneficiaries of the activities, and accountability is to a board rather than the beneficiary stakeholders.

vii. Volunteer Based Organisations

Volunteer Based Organisations are also not a legal structure. It is important to note the opportunity presented by volunteer based organisations to leverage impact. The volunteer sector is also able to deliver in ways that other organisations are not, directly as a result of their volunteer status. Volunteers Supporting Families (VSF), the UK’s largest volunteer based organisation, trains volunteers to support families, allowing child protection social workers to devote their time to more complex cases. VSF attribute their significant successes not only to their ability to deliver services affordably and as a result to more families, but also to the explicitly volunteer nature of their community – which allows families to open up in ways they would not to child protection social workers who represent all the authority of the state (York Consulting, 2015:6).

The South African loveLife organisation uses volunteer mobilisation to deliver its programmes. In 2009, volunteers reached 906 787 young people through loveLife’s programmes and sport and recreational activities; and more than two million youth

through sport leagues, festivals and other events held at its hubs (Bizcommunity, 2010 and VOESASA, 2007).

The impact of volunteer organisations to bring programmes to scale in a way that would be impossible should staff be required cannot be overestimated. Volunteer organisations are also actually able to make a greater impact through the strategic use of peers and “volunteers” who are able to offer peer support and educate in ways that authoritarian state entities are not able to do.

viii. Advocacy Organisations

Like CBOs and VBOs, Advocacy Organisations are not a legal organisational structure. South Africa has a strong tradition of informal advocacy organisations and professional advocacy and lobby bodies. Non-governmental organisations (NGOs), together with academic institutions and social justice advocates, continue to play an important role in upholding human rights.

There is significant social concern that as CSOs seek new models of sustainability their advocacy role may be left behind. Many organisations are now confronted with a stark choice either to maintain an oppositional (advocacy) voice mobilising its constituency for social change or to become extensions of the state in the provision of services (Shragge, 2013:48). The Charities Aid Foundation (CAF 2011:11) postulates that diminished international funding and the dependence of the sector on state support have eroded the advocacy function of CSOs as a whole in post-apartheid South Africa.

Lacking the resources for effective advocacy, the Coalition on Civil Society Resource Mobilisation – which includes Charities Aid Foundation Southern Africa (CAF Southern Africa), CIVICUS, Cooperative for Research and Education (CORE), Legal Resources Centre (LRC), National Welfare Forum (NWF) and SANGONeT – raised the concern that less formal groupings are now opting instead for mass mobilisation and protest action (CAF, 2012:17). It is therefore important that the advocacy role of this sector is not disregarded but actively encouraged and protected.

2.3 Limitations and Restrictions of the Civil Society Sector

Financial Sustainability remains the single largest challenge facing the Civil Society Sector. Following the end of apartheid and a global socio-economic retraction, South African NPOs were particularly affected. According to Archbishop Emeritus Desmond Tutu:

“Charity organisations, which represent 30 per cent of the social services in the country, had R3 billion less to spend on the crucial causes because of the recession! 500 000 needy South Africans, many of them women and children, have been plunged into despair as the country’s charities battle a funding crisis.”
(The Giving Organisation, 2016)

Major foreign donor funding agencies including the Kellogg Foundation, the Mott Foundation and DANIDA have reduced their global funding, in some cases by up to 30% (CAF, 2012:22). This has created, in the opinion of the Charitable Aid Foundation, a “terminal situation” (CAF, 2012:22) reminiscent of the early 1990s where

approximately 1 000 NPOs found themselves deep in financial crisis with between 200 to 400 organisations eventually collapsing. The pressure is thus on NPOs not only to seek domestic and state support but also to find alternative and innovative solutions.

Civil society organisations' dependence on funders can lead to a loss of identity, particularly for advocacy organisations and for organisations that focus on unpopular causes. The concerns about the sublimation of identity are a significant worry, particularly as so much of the sector is becoming dependent on the state and its transformation agenda.

2.4 Limitations and Challenges of Traditional Vehicles of Social Change

Civil Society Organisations, companies, foundations and philanthropists have all attempted to develop models that create sustainable social change. It is clear that no single entity is able to address all the challenges in society, and, while each organisational structure presented has benefits, each has its own limitations.

2.4.1 Opportunities and limitations of different social impact entities

The following table has been drawn from the above analysis in order to summarise the benefits and limitations of the options traditionally available as vehicles of social impact. Not all traditional vehicles are legal entities, despite common misunderstandings. This clarifies the advantages and disadvantages of different vehicles of social change. It has been particularly challenging to identify terminologies that encompass the three levels of legal entity, governance and activity.

Table 2: Social Sector Entities, Benefits and Limitations

SOCIAL SECTOR			
VEHICLE	LEGAL ENTITY	BENEFITS	LIMITATIONS
PUBLIC SECTOR			
The State	Yes, Social Impact is regulated by a wide variety of statutes and the Constitution.	Wide reaching impact through national policies. Ability to partner with CSOs to deliver on long term, national, public good objectives.	Limited resources negotiated public good objectives. National long term targets.
PRIVATE SECTOR			
Companies and Corporate Social Responsibility	Yes. Social impact is regulated by common law, the Income Tax Act, the B-BBEE Act.	Self-generated source of funds. Partnership with CSOs and Government to deliver on public good. Investor confidence. Debt financing.	Limited ability to donate funds due to fiduciary responsibility. Perceived white-washing of internal abusive practices. CSI within marketing budgets
PHILANTHROPISTS			
Philanthropists	No, individuals are regulated by the Income Tax Act.	Unencumbered donations.	Historical legacy of paternalism and evangelism.
Foundational Philanthropy	Yes, dependent on whether the	Focus on sustainable impact.	Not a delivery vehicle. High administrative

	Foundation is itself a trust or an NPC.		burden on CSO partners.
Philanthro-capitalists	Yes, dependent on whether the Foundation is itself a trust or an NPC.	Self-generated source of funds. Focus on creating sustainable impact and the “professionalization” of civil society organisations.	Desire for data and control leads them to direct many of their resources towards the biggest and most accessible NGOs that can absorb large amounts of funding. Moreover their funding may not be for selfless agendas.
CIVIL SOCIETY ORGANISATIONS			
Voluntary Associations	Simple process; some can be unwritten. With an MOI can register with the Department of Social Development as an NPO.	Opportunity for the direct beneficiaries of programmes to run and manage the programmes. Low administrative overheads.	Unregulated and often limited ability to raise funds. Often limited organisational skills due to restricted income for overheads.
Non-Profit Companies	More formal registration process.	Focus on programme delivery, community engagement and delivering sustainable impact. Often able to provide capacity building and enterprise development.	Dependence on funding which can limit programme delivery. Loss of autonomy and ability to respond to community needs due to funder. Limited ability to generate funds.
Non-Profit Trusts	Different legal structure to NPCs and different reporting.	Varied focus: programme delivery to funding programmes run by other organisations. Depending on the trust structure, provides an opportunity to leverage skills and enterprise dev. funding.	Similar challenges and limitations to NPCs. Certain trust structures must transfer income to beneficiaries within restricted time frames.

The challenges facing the traditional social change vehicles of the public sector, civil society sector and private sector are multifold. Two challenges they have in common are how to effectively undertake social change activities without compromising on their vision within their current legal structures and funding model; and how to ensure their financial sustainability, particularly in light of the economic downturn. With the retraction in available finances and pressure from all sides, organisations have had to face profound questions as to their role as social change vehicles.

a. Civil Society Organisations by governance and accountability

The benefits and limitations of different governance and accountability structures are also important to identify. There are additional governance structures: community based organisations may be accountable to an association that they are a member of as is often the case in trade unions, sports or religious organisations. At the simplest

level however civil society organisations can be broken down into NGOs (int. or local NGOs), CBOs and GROs.

Table 3: Civil Society Accountability and Governance

CIVIL SOCIETY ACCOUNTABILITY AND GOVERNANCE			
GOVERNANCE	REGISTRATION	OPPORTUNITIES	LIMITATIONS
NGO	Can be any legal structure.	Typically from outside the community when used in contrast to CBOs and GROs.	Experts but often removed from the reality of the experience of those they are assisting.
Community Based Organisations	Can be any legal structure or informal, often Voluntary Associations. Accountable to the community.	Self-directive and focused on finding local solutions. Can mobilize people around their own interests to act in an organized way.	Loss of oppositional nature due to dependence on public funding. Limited ability to scale.
Grass roots organisations	Informal or registered as Voluntary Ass. Accountable to members.	Self-directive and local solutions. Can mobilize and organize people to act around their own interests.	Limited funds, often limited operational experience. Limited ability to scale.

b. Civil Society Organisations broken down by activities

While there are many activities undertaken by civil society entities which take the form of either service delivery or capacity building, it is important to note the benefits and limitations, and more importantly the role played by volunteer and advocacy organisations. This will be of particular reference when discussing the evolution of social enterprises later.

Table 4: Civil Society Operational Methodology

CIVIL SOCIETY OPERATIONAL METHODOLOGY			
ACTIVITY	REGISTRATION	OPPORTUNITIES	LIMITATIONS
Volunteer Organisations	Can be any legal structure or informal.	Ability to deliver to scale due to low overhead costs. Similar benefits to CBOs.	Lack of reliability and dependability of volunteers. Skills training required.
Advocacy Organisations	Can be any legal structure or informal.	Minority rights, oppositional position to the state in matters affecting their sector or marginalised populations.	Professionalization of the sector and loss of autonomy due to funding reliance.

c. Opportunities and limitations of State Registrations for RSA Civil Society

The following are commonly understood to be different civil society legal entities. For clarification they are outlined below. As social enterprises are evolving, it is important to recall that the registration and resultant donor deductible incentives are an important consideration.

Table 5: State Supported Registrations and Opportunities

STATE SUPPORTED REGISTRATIONS & OPPORTUNITIES			
ACTIVITY	REGISTRATION	OPPORTUNITIES	LIMITATIONS
Organisations with NPO registration	Can be a trust, voluntary association or non-profit company	Registered with Department of Social Development and governed under the NPO Act offering donor security.	Additional administration. Not all organisations qualify.
Organisations with PBO registration	Any NPO fulfilling certain public benefit criteria	Exemption from Donations Tax on receipt. Zero VAT.	Additional administration. Not all organisations qualify.
PBOs with Donor Deductible Status	Any PBO fulfilling activity criteria.	Incentivised donations due to donor deductible status benefits for donors	Additional administration. Not all organisations qualify.

2.4.2 Impacts of choices as a result of limited resources

a. Impact of Relying on Government-aligned Funding

The Department of Social Development (DSD), National Lottery Board and National Development Agencies all fund civil society programmes to achieve social development goals and targets. Government funding to CSOs largely supports the delivery of social services (CAF, 2012:21). One of the risks is that CSOs will undertake projects, or even design programmes, to deliver on government developed plans and consequently budget priorities will change.

The role of CSOs is, however, more varied than service delivery. CSOs have a significant role to play in ensuring a democracy, holding the state accountable and ensuring that the wishes of the population and particularly specific sectors are brought forward and their rights maintained. As a result, the tasks of building an active citizenship or of delivering services or of lobbying for issues that are not within government's limited priorities remain squarely with an independent civil sector.

b. The effects on the Management of Civil Society Organisations

The socio-economic challenges have hit the general population hard. With an increase in unemployment, the poorest communities are facing significant social challenges. At the same time, state agencies are themselves faced with limited budgets on which to deliver social change. With the shift, particularly in South Africa, away from international funders to the state, civil society is faced with the challenge of massive social need and the risk of sublimating their own independent status.

In order to secure the scarce private or international funding, CSOs are forced to undertake much more rigorous impact assessments, limiting efforts focused on the social change agenda to hand.

c. The effects on the Private Sector

The private sector too is facing pressure from all sides. With limitations on how much they are able to invest in social impact and pressure to deliver financial returns to investors and shareholders, private companies are focusing more and more on their

own bottom line and decisions in relation to CSI activities are focusing ever more narrowly on what assists with achieving financial reward.

As a result, CSI activities are still housed mainly within marketing budgets, and companies are loath to invest in the long term projects that would make for significant social change. The poorest communities, those unable to be considered future clients, are often neglected in favour of projects that produce the maximum exposure.

2.4.3 Conclusions Drawn from the Limitations and Challenges of Current Frameworks

There needs to be a legal framework in which organisations which intend to undertake social change are able to be financially stable; or alternatively there need to be models which ensure that the private sector is able to invest more in social impact without the restrictions of investors and the limitations of tax.

Given the challenges and limitations of traditional organisations discussed in the previous section, social enterprises evolved as an attempt to provide a hybrid delivery vehicle, delivering social impact while at the same time generating their own autonomous income to decouple ties with funders.

Despite the evolution of both civil society and the private sector, traditional forms are designed for either end of the economic spectrum: non-profit and for-profit. Social enterprises typically have characteristics of both, and yet none of the traditional forms offered much room for this hybrid activity within a single legal entity (Doeringer, 2010:295). New organisational models and legal shifts were therefore required. While many alternative vehicles exist, social enterprises are dealt with in more detail in the remainder of this chapter, given the core focus of this thesis.

2.5 Forging Ahead in Uncomfortable Space: The Evolution of Social Enterprises

*“There is an idea that values are divided between the financial and the societal, but this is a fundamentally wrong way to view how we create value. Value is whole. The world is not divided into corporate bad guys and social heroes.” —
Jed Emerson*

During the period of expansion in the 18th and 19th centuries, charities and corporates developed independently, with separate legal frameworks and operational delivery methods. Drayton argues that this split was an “historical accident, a giant navigational error,” and that “the inertia of [the initial] division remains strong,” which in his opinion is limiting the growth of modern NPOs (Drayton, 2006:51). The challenge often levelled at NPOs and particularly CBOs is that they lack efficiency and professionalism (Department of Social Development, 2016:22).

John Elkington’s triple bottom line of profit, people and planet impact deliverables (or economic, social and environmental as defined in King III) causes internal organisational conflicts, not least because of the lack of legal status. Determining the appropriate vehicle(s) to deliver on these goals is however a challenge. South Africa has incentives for donation to legally registered NPOs, but restrictions on how much profit a NPO can generate through sales. Corporate entities on the other hand have to

pay tax on donations, and have restrictions on the activities they are able to undertake in terms of their commitment to investors and shareholders.

As discussed earlier, companies are able to be vehicles of social impact. However, their mandate is to deliver profit for their shareholders. That being said, there has also been a long history of corporations which, while founded on corporate principles, intended to undertake social change rather than purely deliver profit. In Victorian England, soap was sold by weight in grocery stores, made of tallow and hard to use. In the late 1800s William Lever's Lever Brothers was founded on his idea to revolutionise cleanliness by pre-packing it and improving the lather of what would become Sunlight soap. He wrote at the time that his objectives were:

"To make cleanliness commonplace; to lessen work for women; to foster health and contribute to personal attractiveness, that life may be more enjoyable and rewarding for the people who use our products." (William Lever quoted in Unilever, 2016)

This history, coupled with the evolution of civil society vehicles, has merged and evolved into what are now known as Social Enterprises. Social Enterprises are not distinguished by their intention to "do good". These are activities that are covered under Corporate Social Investment (CSI) and Responsibility (CSR). Nor is it sufficient to purely make profit from public good initiatives (such as fee paying schools and hospitals). The World Business Council for Sustainable Development (2006) noted that:

"As a result of responding to societal signals, many companies are now active in areas often considered the domain of governments: providing basic goods such as health, education, and pensions; advocating a framework to tackle climate change; or addressing poverty through corporate strategy."

2.5.1 Social Enterprises and the Social Economy – finding a definition

Social Enterprises are an entirely new combination of the private and civil society sector. As a result, there is a vast array of different definitions of social enterprise – not least because of the varied legal natures social enterprises are forced to assume in order to either overcome or benefit from different countries' corporate and tax legislation.

The Evolution of Social Enterprises happened in parallel in Europe and the United States of America. The social need focus at the time in each country was fundamentally different which has impacted on the state support and legal frameworks created in order to support them in delivering social impact. In Europe, the focus was predominantly on addressing issues related to chronic unemployment. Social enterprises were therefore largely funded as corporates or co-operatives. In the United States, however, the already thriving charity sector was forced to embark on income generating activities in response to the withdrawal of funds from the state (Doeringer, 2010:293). This history has framed the evolution of two parallel frameworks for social enterprises.

There is no national definition of a social enterprise in the United States of America and the various attempts to create a legal structure for social enterprises will be

discussed in Chapter 3. The European Commission recognises an economic sector they identify as the ‘social economy’, which includes cooperatives, mutual societies, non-profit associations, foundations and social enterprises. They define the role of the social economy as:

“They operate a very broad number of commercial activities, provide a wide range of products and services across the European single market and generate millions of jobs. Social enterprises are also the engine for social innovation.”
(European Commission, 2014(a))

The European Commission defines Social Enterprises as:

“A social enterprise is an operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or shareholders. It operates by providing goods and services for the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives. It is managed in an open and responsible manner and, in particular, involves employees, consumers and stakeholders affected by its commercial activities.” (European Commission, 2014(b))

A simple definition used by GreaterCapital is that for social enterprises, the primary purpose of the enterprise is to address a social or environmental issue (typically the focus of CSOs) and it produces a good or service to sell to the market (typically the remit of a corporate entity) (GreaterCapital, 2011:10).

None of these definitions require a social enterprise to be a registered corporation. The evolution of hybrid social enterprises which leverages a variety of income streams and legal models is a further step in the evolution of vehicles of social change whereby boundaries, partnerships and relationships between legal entities can all be cohesively designed to not only deliver on different focus areas, but also play to the strengths and opportunities of different models at the same time.

What is unique about social enterprises is that they use a business-like approach to achieve their social purpose, with their social purpose being fundamental to the founding, as well as the acts of, the business. What sets them apart from Civil Society Organisations is that:

“They often earn a substantial proportion of their income and are not structurally dependent on grants and donations. In a number of cases, fees are charged for services rendered and employment opportunities are created with a clear goal of generating income and financial stability. However, they often have mixed income streams, and sometimes compete with standard non-profit or non-governmental organisations for funding.” (Legal Resource Centre, 2011:2)

Despite the fact that there are enormous potential benefits offered by social entrepreneurship are clear, Roger Martin and Sally Osberg argue in 2007 that:

“the actual definition of what social entrepreneurs do to produce this order of magnitude return is less clear. In fact, we would argue that the definition of social entrepreneurship today is anything but clear. As a result, social entrepreneurship

has become so inclusive that it now has an immense tent into which all manner of socially beneficial activities fit.” (Martin & Osberg, 2007:30)

Steinman and van Rooij, together with others, have attempted to redress this by redefining the South African definition as:

“A social enterprise’s primary objective is to ameliorate social problems through a financially sustainable business model, where surpluses (if any) are principally reinvested for that purpose” (Steinman & van Rooij, 2012:8).

In Kim Alter’s report to the Inter-American Development Bank (IADB) (Alter, 2003:9) she proposed a spectrum approach recognising that social entrepreneurs are creative and that permanent and clear boundaries as to what is and is not a social enterprise are not possible. This was adapted by CAF Venturesome. Many social enterprises have multiple sources of funding, including non-market-based income such as grant funding; but to classify as a “social enterprise” there must be a good or service, sold in the market place, which generates a meaningful amount. Between the extremes, on the right are traditional corporates that, while they do create social value, have profit-making and the distribution of profit to shareholders as the main motivation. To the left are non-profits that undertake commercial activities to fund social programmes but whose main motive is the delivery of their social impact activities.

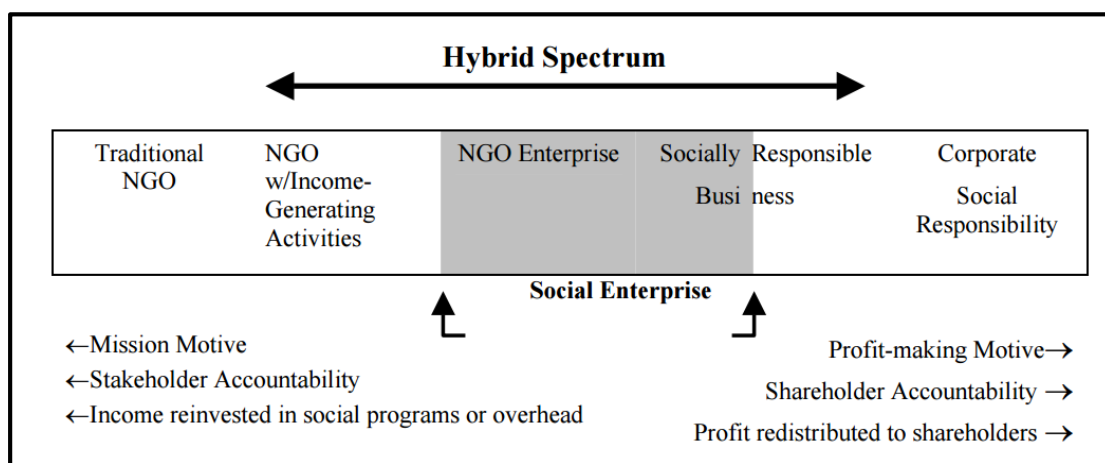


Figure 2: Social Enterprise Spectrum. Alter, 2003:9

Alter proposes that social enterprises are organized by degree of activity related to: 1) motive, 2) accountability, and 3) use of income (Alter, 2007:14). This was revised by J Kingston Venturesome, CAF Venturesome and EVPA and remodelled by Celeritas,

itself a social enterprise who amended this slightly to include a reference to source of funding

There is no single legal entity for social enterprises and some social enterprises

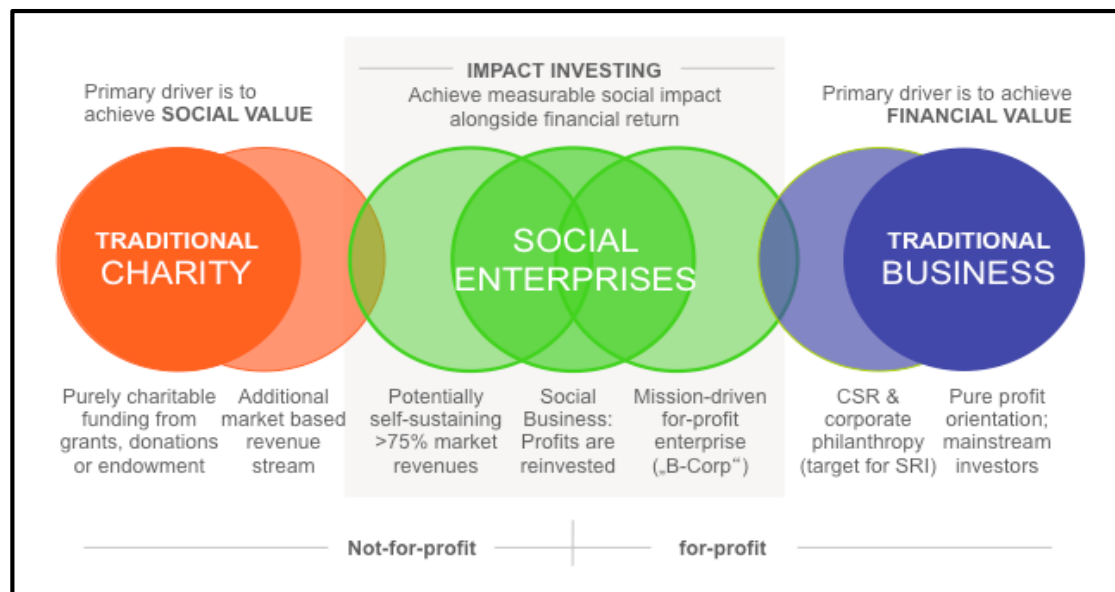


Figure 3: The Business Model Spectrum Revisited (adapted by Celeritas 2016)

choose to be multi-organisational in order to focus on different hybrid purposes and capitalise on different income streams. It is important to remember Seelos and Mair's assertion that "social entrepreneurship creates new models for the provision of products and services that cater directly to basic human needs that remain unsatisfied by current economic or social institutions" (Seelos & Mair, 2005:48). It is this entrepreneurial spirit when applied to business structure that provides a range of opportunities for social enterprises.

2.5.2 Different Types of Social Enterprises – opportunities and risks

Social enterprises in both Europe and the United States of America gained prominence during the economic downturn in the 1970s (Doeringer, 2010:293). It is clear that there is a desire by states to nurture social enterprise growth. A number of European countries and several states in the USA are already attempting to adopt a variety of statutes which enable the registration of socially focused commercial enterprises (Social Enterprise Law Tracker, 2016) and set legal parameters for what constitutes a social enterprise (ILO, 2016:11). The legal shifts related to social enterprises will be discussed in more detail in Chapter 3.

a. Social Enterprises as Non-Profit organisations.

Tax incentives, and the nature of the work undertaken, lead many social entrepreneurs to form their enterprises as non-profit corporations (ILO, 2016:5 and Bertha Centre, 2015:13). At the same time, the commercial characteristics of these NPOs can limit the benefits of this choice. Social Enterprises may experience challenges in securing appropriate funding and financing, which is further confused by the "ambiguous and often conflicting ideas as to the nature, purpose, and boundaries of charity" (Doeringer, 2010:296). As will be discussed below, NPOs are able to undertake limited amounts of commercial activity and charity shops are a common source of income. But, going

beyond simply fundraising, this is restricted to activities to directly further the organisation's charitable purpose (SARS, 2014:16).

b. Social Enterprises as For-Profit Entities

There are significant difficulties in operating a social enterprise as a NPO, not least with start-up funding and the costs incurred in incorporating specialist skills within the employee base. As a result some social entrepreneurs prefer working within the for-profit or commercial framework, shifting their role as being for profit to being for purpose (ILO, 2016:22 and the Bertha Centre, 2015:8). Examples include companies dedicated to the growth of fair trade or environmentally sustainable production. It can be held that social enterprises may be corporates focused in areas traditionally held by the state such as social housing providers, public schools and hospitals. However, in the case of private schools and hospitals the argument remains that these are commonly purely commercial enterprises, particularly if they offer an exclusive service.

There remain challenges, predominantly in relation to securing capital. Businesses with social purposes prioritise more than a financial bottom line and this typically results in a limitation on their potential to generate profit to the scale that a traditional corporate would be able to achieve. This is a challenge even in well resourced, socially advanced countries such as the Netherlands where Pricewaterhouse Coopers recently released a report entitled "How to raise capital as a social entrepreneur?" (PwC, 2014). While there are investors who are interested in a double bottom line, the choices made by Social Entrepreneurs limit the range of potential investors and debt funding can be prohibitively expensive (ILO, 2016:31). This problem is exacerbated if a company chooses to issue shares, as the responsibility of the board is to look after the interests of shareholders (Doeringer, 2010:304).

c. Hybrid Social Enterprises and the "Hybrid Ideal"

As no country, including South Africa, has a clear legal framework to overcome the conflicting legal frameworks between for-profit and for-purpose legal entities, a variety of hybrid structures have evolved (ILO, 2016:26 and Bertha Centre, 2015:16). There are two broad definitions of Hybrid Social Enterprises – one based on principles and the other on finance.

The principle based definition is that hybrid social enterprises combine the social welfare focus of a non-profit and the commercial logic of a for-profit business (Blanding, 2012). The finance based definition defines hybrids as social enterprises that solicit grants and donations while simultaneously generating revenue from the sale of a good or service (GreaterCapital, 2011:12).

The environment in which social enterprises are created informs the nature of the social enterprise. In the USA there was a focus on finding alternative income sources for existing NPOs, whereas in Europe the focus was on the need for vehicles to support growing unemployment and therefore they were started largely within a commercial (although typically cooperative) framework. Mair and Martí (2006) comment on how "social entrepreneurship has different facets and varies according to the socioeconomic and cultural environment" (Mair & Martí, 2006:40 quoted in Littlewood & Holt, 2015(a):5).

If an NPO needs, or wants, to raise more than an insubstantial amount from commercial activities, it would need to register a separate for-profit company to act as a “trading company”. This for-profit company can then, in turn, donate money from its profits to the charity, but would be restricted by corporate donation limitations. There are benefits to separating the commercial and social value organisations in that this limits the risk to the NPO but adds significantly to the administrative burden of running two entities. In addition, corporate models require skills and resources, particularly in reporting and auditing, which may not exist within the founding NPO (Legal Resources Centre, 2011:28).

In the same way that Social Enterprise NPOs can balance these needs by housing their profit in a corporate partner, for-purpose corporations may choose to set up NPOs to deliver their social impact (Bertha Centre, 2015:16). Corporations are restricted by tax legislation as to the amount that they are able to donate and typically it is understood that, in order to balance out the fiduciary responsibilities to investors and shareholders, these donations are to be “reasonable” (Ramnath & Nmehielle, 2013).

While these structures create an uncomfortable and often administratively burdensome vehicle with the risk that the focuses of either party could drift from the original founding purpose (PwC, 2014:3), at the same time multi-organisational social enterprises present the extraordinary opportunity of merging the evolution of both corporations and civil society as vehicles of social change.

Alongside opportunities, as will be highlighted in Chapter 4, there are a number of unique challenges faced by social enterprises. One of the fundamental challenges of having two organisations with different focuses lies in the fact that corporations view their consumers as customers, whereas CSOs think of those who consume or participate in their activities as beneficiaries and are often totally different communities (Battilana, Lee, Walker and Dorsey, 2012:51).

In 2012, the Harvard Business School and Echoing Green, a non-profit with a 25 year record of supporting early stage social entrepreneurs, undertook the first, large-scale, quantitative research study of emerging social entrepreneurs with a specific focus on hybrid social enterprises. They identified a significant increase in the number of social enterprises choosing to explore hybrid models and determined that this shift was due to the desire of social entrepreneurs to create more sustainable financial models following the 2007/8 financial downturn (Battilana et al., 2012:51). Battilana, Professor of Business Administration in the Organizational Behaviour Unit at Harvard Business School, and her team characterised a “hybrid ideal”:

“a hypothetical organization in which the income generation activities and the social good is fully integrated. ... This vision has at least two powerful features. In the hybrid ideal, managers do not face a choice between mission and profit, because these aims are integrated in the same strategy. More important, the integration of social and commercial value creation enables a virtuous cycle of profit and reinvestment in the social mission that builds large-scale solutions to social problems.” (Battilana et al., 2012:52)

Hybrid ideals overcome the challenges inherent in traditional customers vs. beneficiaries by providing products and services that, in and of themselves, produce social value, making the distinction between customers and beneficiaries irrelevant. VisionSpring sells glasses, but its primary focus is to create a lasting vision solution in low income communities, not from within the charity model of handouts, but through a high-volume and low-margin approach whereby glasses are sold and a small profit is being earned by a distributor. It raises donation funding to support this and peripheral programmes such as micro financing initiatives for clients make it a strong example of a hybrid ideal (Hassey & Kassalow, 2014). Shonaquip, through producing affordable, high quality mobility devices suitable for rural communities, is also a hybrid ideal. More importantly in terms of scaling activities, the social value mission of the organisation is synergic with financial growth.

Battilana et al. further identified that many of the fastest growing social enterprises are hybrid ideals, particularly microfinance organisations and social enterprises that produce goods and services for the bottom of the pyramid. They were however clear that, depending on the social issue at the core of the social enterprise, this may not always be possible (Battilana et. al., 2012:53).

d. Multiplying the benefits for Social Enterprises

There are a number of ways that multi-organisation Social Enterprises are able to build sustainability beyond just multiplying income streams. There are four major mutually benefitting opportunities:

1. One party can hire or contract the other's services at market rates (The Bertha Centre, 2015:16). This could include staff time, services, physical products, research and intellectual property. It is common for the for-profit to pay the non-profit for the research, designs or software behind the product that it sells to the market. In the case of Shonaquip, in order to ensure the financial sustainability of the NPO Uhambo, Clinical Staff remained on Shonaquip's work force and are contracted to Uhambo Foundation; this, in turn, allows Shonaquip to maintain a larger clinical team.
2. The for-profit can donate money to the non-profit (The Bertha Centre, 2015:16). If the NPO is suitably registered, this can not only be donated without donation tax, but the for-profit is able to receive tax deductions on the donation ensuring a further benefit for the social enterprise. However, if the NPO is not a PBO and, in South Africa, a registered Section 18a company, then the donation would be subject to donations tax and no tax benefits accrue.
3. The non-profit can own shares in the for-profit company, allowing for a share of profits and dividends (The Bertha Centre, 2015:16). In South Africa, and depending on the nature of the NPO, this share distribution benefits the for-profit corporation by increasing the black shareholding while ensuring no split in the organisation's vision. This increased black ownership can increase the B-BBEE level of the for-profit and, in turn, lead to more sales for the for-profit entity.

4. Hybrid social enterprises are typically set up to diversify income streams, which limits the risk for both investors and donors while securing sustainability to deliver on social impact. The model below highlights the opportunities for income diversity for hybrids (GreaterCapital, 2011:17).

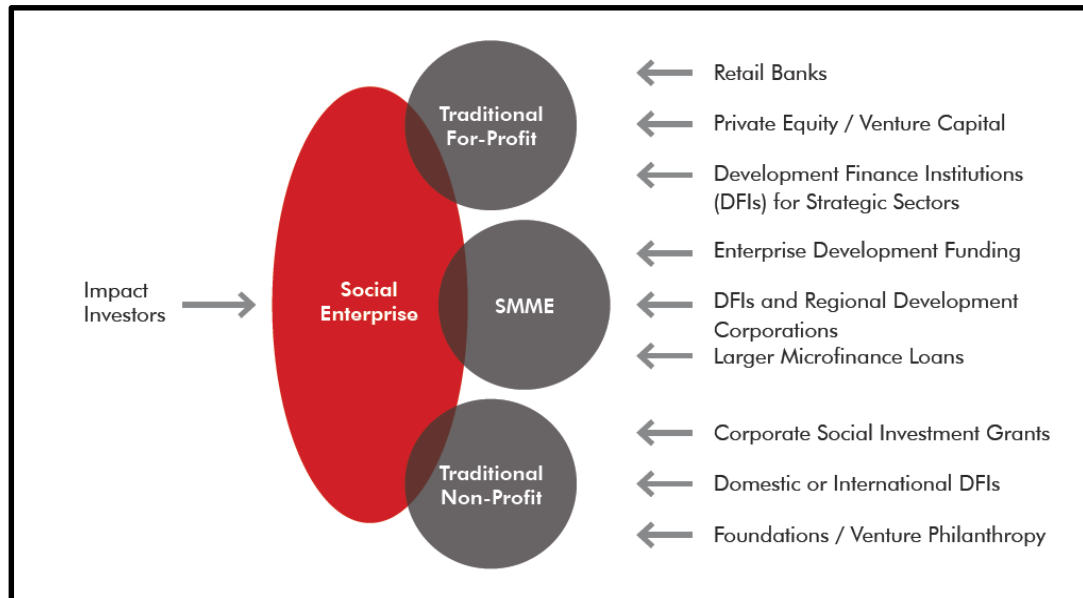


Figure 4: Targeting of finance in South Africa (GreaterCapital, 2011:17)

e. The Effect of Multiple Income Streams on Social Impact

A varied income stream provides an element of security for longer term programme beneficiaries as funds are not restricted to donations which typically have defined time frames. However, as will be documented below, there are risks which include mission drift and the potential loss of autonomy to advocate – particularly if a large percentage of income is from the public sector, or if, as a producer, the social enterprise is perceived as advocating for personal gain.

f. Social Enterprises in South Africa

A good legal form for a social enterprise is generally one that allows it to combine multiple sources of capital – private and public, philanthropic and commercial – in order to advance and scale the impact of the enterprise. While South Africa does not have a dedicated legal structure for social enterprises, the current structures allow for flexibility through the combination of legal entities.

South Africa has a mixed economy, neither exclusively low nor high resourced. The manner in which social needs are addressed through South African social enterprises is however different from well-resourced countries and indeed different from those in purely low resourced countries. In the low resourced countries, social enterprises frequently focus on the provision of basic needs (Littlewood & Holt, 2015(a):13). South African social enterprises typically focus on middle level needs.

2.5.3 Challenges of Scale And Dependency

Like all social impact vehicles, Social Enterprises are faced with significant challenges in relation to scale and dependency. Many of these mirror those of other entities, but have their own unique challenges.

Social Enterprises struggle to find sufficient funding. This was highlighted in the ILO convened National Conference on the Enabling Environment for Social Enterprise Development in South Africa, in October 2009 (ILO, 2010). Traditional investors are put off by low margins and traditional donors are not interested in investing in commercial activities (Lengkeek, 2014 and PwC, 2014). The history of Shonaquip highlights the challenge of scaling social impact and the risk of donor dependency, particularly government. At the same time, overhead costs, particularly for social enterprises who produce items, is significantly higher than their NPO counterparts.

The following are examples of African Social Enterprises and their unique challenges and structures.

The Big Issue South Africa is a classic example of the challenges faced by trying to maintain an appropriate pricing model while at the same time utilising profits to deliver social impact. The Big Issue South Africa (based on the Big Issue UK) launched in 1996 as a socially responsible non-profit organisation that enables willing unemployed and marginalised adults to take responsibility for their own lives through a developmental employment programme.

The Big Issue supports its vendors and their families through guidance counselling, social support services and a Vendor Training and Development programme which focuses on equipping vendors with the skills needed to progress into the formal job market. It provides income for vendors during their time in The Big Issue Programme as they earn 50% of the cover price of The Big Issue Magazines. This “hand up, not a hand out” approach empowers vendors to take control of their lives and, to date, The Big Issue has provided employment and social support to thousands of people. The magazine generates approximately 45% of overheads with more than 50% of operating costs of the social impact programmes still being sourced through grant funding.

As of 2014 (the last financial records available) the Big Issue Magazine itself produced a loss. The expenses incurred in printing and rent alone exceeded the income generated by the magazine and grant income was required to support other operational costs, programme activity and the commission for vendors (The Big Issue, 2016). It is a concern that the commercial enterprise is still loss generating, but the magazine itself serves to provide the employment framework for vendors and as such fulfils a non-commercial role within the enterprise.

As many social enterprises tackle issues on government agendas, they regularly receive support from the state as a client or donor. The loss of independence as a result of relying on government in terms of advocacy has already been highlighted, but there are additional risks. By limiting the market of clients to government infrastructure, social enterprises face the risk of any corporate of relying too heavily on one market. If government funds contract, social enterprises run the risk of financial disaster. Over

80% of Shonaquip's orders were to the state in 2010 when budget cuts resulted in a nearly 50% drop in orders. This almost bankrupted the organisation (McDonald, 2016(a)).

Sanergy, a Kenyan Social Enterprise, achieved diversification through the introduction of their franchise model. Sanergy is a waste conversion start-up that installs toilets in some of the poorest slums in the world. Sanergy is also an excellent example of a hybrid ideal. Their toilets provide sanitation, they train and employ teams (called Fresh Life Frontline) providing employment to low skilled workers. Fresh Life Operators are local residents who receive SME training and become franchise partners and operate their hygienic sanitation facilities. Finally waste product is sold as fertiliser providing environmentally friendly and economic fertiliser for small and medium farmers. Sanergy Inc. has a differentiated funding strategy accessing profit-seeking investors for commercial activities and non-profit fundraising and public subsidies for social activities (Battilana et al., 2012: 52 and Sanergy, 2016).

The major focus of creating a hybrid social enterprise is to access a diversified range of income streams which limits the risk on either the for-profit or not for-profit entity as the social enterprise scales. Micaia, and Alive and Kicking are two hybrid ideal social enterprises who have secured their financial security through international funding arms as well as diversified local markets.

Alive and Kicking, a UK NGO, has initiated three social enterprises in Kenya, Zambia and Ghana to manufacture sports balls. It creates jobs, provides balls and promotes health education through sport and messages on the balls. Local ball sales cover running costs and revenues are reinvested in donations of balls and health awareness work. The head office is responsible for governance, branding, international expansion, and for coordinating the overall strategy including grant fundraising to deliver programmes such as HIV/AIDS roadshows in rural areas in Kenya and Zambia (Alive and Kicking, 2016). Sustainability was identified as their single greatest challenge, and the tension between fulfilling their social objectives and their need to operate sustainably. This even included internal challenges around dependency on the head office (Alive and Kicking Director Will Prohaska quoted in Eustice, 2010).

As a business, Eco-MICAIA is an enterprise development vehicle and aims to be commercially successful, but only undertakes business development when it will bring lasting benefit to specified social programmes. Future profit made by Eco-MICAIA will be reinvested in MICAIA's work through the Foundation or supporting new inclusive businesses. MICAIA UK raises funds through the NPO and additional income streams include commercial consultancy (MICAIA, 2016). The Mozambique Honey Company was established as part of this partnership. The three entities are entrenched in the same united vision, both in projects undertaken and the beneficiaries (if not the clients) of the work undertaken (Marlow, Henry & McElwee, 2014:119).

However, diversification does not always secure income. Learn to Earn, one of South Africa's oldest social enterprises, has recently struggled to scale its programmes. Despite Learn to Earn's current financial constraints, there is much to learn from its model. The hybrid has three main components: Learn to Earn, a training NPO and PBO; and two for-purpose companies: the Business Resource Centre and the feel

good Project. The Business Resource Centre (BRC) complements the training programmes run by Learn to Earn (LtE). The BRC is contracted to run LtE's job creation programme and is where LtE's graduates are assisted to become economically independent and initiate micro-enterprises. The feel good Project (tfgP) is a project partnering LtE and the Foschini Group. Graduates from LtE's market skills programme receive further training at the two feel good shops. Stock consists of donated rejects from Foschini stores (Littlewood & Holt, 2015(b):20 and Learn to Earn, 2016). Across the three organisations there is a continuity and holistic approach making LtE an example of a hybrid ideal. Each vehicle complements the other and has a clear, complementary scope and income model (Learn to Earn, 2016).

Ocean Sole, based in Kenya, like Shonaquip, has used this time to investigate diversifying the number of entities in the family of organisations, not only to increase funding streams, but also to strategically leverage the benefits presented by each different legal entity.

Founded in 2005, originally as the Flip-flop Recycling Company, Ocean Sole is a for-purpose social enterprise that aims to tackle marine pollution through creating artwork out of recycled flipflops – one of the largest marine pollutants on Indian Ocean beaches. The Ocean Sole Foundation receives between 5% and 20% of the production costs of Ocean Sole to undertake environmental training programmes, microenterprise development focusing on recycling, and marine preservation (Littlewood & Holt, 2016:2 and Ocean Sole, 2016). UniquEco Designs was formed, a for-profit company believing “in trade not aid” (Ocean Sole, 2016). It launched a fresh and fun solution to beach pollution and showcases the work of other creative Kenyans. UniquEco Designs runs open workshop tours to demonstrate the power of upcycling. Ocean Sole, the Ocean Sole Foundation and UniquEco have all leveraged different markets as they scale their joint mission (Ocean Sole, 2016).

The challenge with the multi-organisation hybrid model is to ensure that each entity is still able to focus on a unified vision. This is particularly true when social enterprise attempt to scale their work and undertake capital investments and increase both skilled staff and stock. It is imperative therefore that social enterprises diversify their income streams as they scale. The risk remains that, as in the case of Book of Hope, below, that diversification may lead to organisational drift.

a. Mission drift

The financing, tax and donation incentives available for social enterprises, either as a business with an NPO or an NPO with an income generating arm, may lead organisations away from their focus, and incentivise one or other party in a multi-organisational structure to drift in mission away from the other. This is a particular challenge in Social Enterprises (Battilana, Lee, Walker & Dorsey, 2012:51; Ebrahim, Battilana & Mai, 2014:82; Smith, Gonin & Besharov, 2013:414; and PwC, 2014:3). In South Africa this is even more relevant as social enterprises engage with the corporate sector and need to align themselves within a B-BBEE framework to secure interest and investment. As will be documented later, Shonaquip faced challenges with mission drift and in part the evolution of the social enterprise model in 2015 was sparked to address this issue. Holding tightly to the social purpose that is intended to be achieved is vital

to maintain a united organisation and this requires strong leadership and governance (Ebrahim, Battilana & Mai, and 2014:90).

The South African Depression and Anxiety Group (SADAG) a South African NGO, initiated a project called Speaking Books in collaboration with Books of Hope, a US-based company. SADAG's founder was inspired by an article on talking books being used for healthcare and was determined to find a similar, low cost solution for the problem of low literacy that limited the effectiveness of all health care information (Books of Hope, 2016), including but not limited to depression and anxiety literature. Working with a wide range of clients, hundreds of thousands of books in over 50 titles in 29 languages have been distributed in over 30 countries. Books of Hope, the commercial partner based in the USA, is now trading as Speaking Books (Books of Hope, 2016). 50% of Books of Hope's funding is covered by sales of books commissioned and purchased by governments, corporations and institutions on specific topics and the rest appears to be raised through SADAG grant funding as well as an investment through a social enterprise funder in 2007 (GreaterCapital, 2011:41).

The relationship between Books of Hope and SADAG is not entirely clear, although the books produced on depression and anxiety clearly help to fulfil SADAG's objectives. Books of Hope is variously described as a "part of" SADAG (GreaterCapital, 2011:41) and as "a project developed by SADAG in an attempt to raise awareness and help alleviate the pandemics of AIDS, Malaria and TB in South Africa" (Wikipedia, 2016). This dramatically extends the scope of SADAG and the "project" has clearly grown beyond this definition.

Investment has been sought for Speaking Books to cover the scaling and expansion of the project and SADAG leveraged additional funding to cover the costs associated with delivering books of social value. The SADAG/Speaking Books partnership provides an example of how leveraging the mixture between NGO and Corporate business models creates social impact. However it is not clear whether the intra organisational drift is one that is controlled and it appears that the major link is that they share a founder. Although there were initially shared beneficiaries, Speaking Books now addresses many public health issues outside of depression and this forms the majority of their work (Books of Hope, 2016).

b. Governance, Shareholders, Stakeholders and Accountability

In addition to overseeing dual performance objectives, organisational governance also involves accountability to a wide variety of stakeholders, which is only increased when managing various income streams, donors and investors. Accountability can happen upwards (to funders and investors), which is easily possible as they are able to revoke their support. Downward accountability is however a challenge for any organisation. Typically it is the responsibility of the board to provide governance in accordance with the beneficiaries' interests and align these to the funders and the mission of the organisation (Ebrahim, Battilana & Mai, 2014:92). Shonaquip has attempted, in its realigning, to ensure the engagement of beneficiaries in order to deliver upwards accountability. This is one of the lessons learnt from civil society.

c. Delivering a Social Purpose: Advocacy and Policy from within a Social Enterprise

When one recollects that Social Enterprises evolved in part out of CSOs it is easy to realise the importance of advocacy within social enterprise business planning and modelling. Advocacy has a significant role to play when undertaking social impact, and particularly of course when confronted by a convergence of ignorance, prejudice and public burden as is the case for the call for the inclusion of people with disabilities (Parish, 2005), which is the overarching vision of Shonaquip.

Advocacy is often difficult to reconcile with commercial activities. There are often interwoven dependencies as social enterprises are often delivery vehicles for the state. In the case of organisations like Shonaquip where advocacy for appropriate wheelchair provision and services is a fundamental component of the vision and mandate of the organisation, this has been seen by some as driven by the self-interest of a wheelchair manufacturer – which undermines the message. This advocacy is vital as it changes both budget allocation and the knowledge of clinical therapists as to the appropriate devices available, in order to ensure that they prescribe appropriately.

There are examples of social enterprises as vehicles for advocacy, not least in the environmental sector where organisations such as profit generating entities are able to advocate for appropriate environmental management. However, most organisations struggle to maintain the impartiality needed for advocacy, battle to mobilise communities and face allegations of self-interest.

Many authors such as Galera and Borzaga specifically exclude advocacy organisations as social enterprises and propose a definition of social enterprises that “excludes third sector organisations that do not carry out entrepreneurial activities and mainly perform advocacy or re-distributive functions, public institutions, and for profit enterprises engaged in social projects” (Galera & Borzaga, 2009:216). The history of Shonaquip includes many years in which a major activity was advocacy; indeed this has been the key to Shonaquip’s success.

In a country where advocacy has been determined to be on the wane, (CAF, 2012:11) raising public awareness and/or holding the state responsible for service delivery is important. It is a challenge that this growing sector is perceived to be limited in its ability to advocate. It is possible that advocacy has been relegated to civil society organisations during the shift of understanding of social enterprises away from CSOs to more corporate reference points. In order to be successful and sustainable partners in community sector development, it is important to remember that social enterprises are often required to advocate in order to deliver on their social purpose.

2.6 Summary

Social Change agents can employ a variety of methodologies. Of particular reference to social enterprises as they look to create social change are Policy & Advocacy (Advocacy Organisations); Participant Engagement (Grass Roots Organisations and others) and the use of Volunteers (Volunteer Based Organisations); Service Provision (traditional charity model); Capacity Building (a focus of civil society since the start of Foundational Philanthropy and development of modern NGOs); and finally Enterprise Development (which has become a key factor of State supported initiatives for social change as well as many modern NGOs). While the private sector engages with many of these areas, the focus for social change agents is their specific social beneficiaries as opposed to internal staff or potential customers.

Social enterprises, particularly hybrid social enterprises, are extremely attractive in a low income environment as they work towards being self-sustainable vehicles of social impact, breaking dependency on state and the agendas of funders. As a mix of different traditional civil society entities with commercial aspects, there remain challenges with funding and legal framework. Globally there has however been an increasing interest in investing in social enterprises; and governments are following suit with providing, if not legal framework for social enterprises, then at least support for the variety of innovative models designed by social entrepreneurs.

While there remains a place for pure non-profit organisations, and commercial endeavours, hybrid social enterprises have the potential to protect the sustainability of a for-purpose vehicle by buffering income streams against the vagaries of the socio-economic climate.

Like all vehicles of social impact, the social enterprise model has challenges and limitations. The opportunities presented by social enterprises are however significant. It is fundamental to the sustainability of the social enterprise that it leverages a range of financial opportunities and taxation incentives in order to ensure that the most social value is delivered.

As social entrepreneurs, a key value is the evolution of new models of operation that take advantage of both for profit and for purpose mandates without losing the insights into sustainable social impact gained in the civil society sector. Hybrid ideals, in which all aspects of the organisation are united in delivering on a common goal – albeit with different approaches – present the opportunity to cross pollinate lessons learnt from, and opportunities available for, both the civil and private sectors.

What is vital is that social enterprises remember that one of the defining aspects of social enterprises is their civil society history as they look to create a lasting impact on society. It is from learning from traditional vehicles that social enterprises are able to increase not just their profit but also their social impact. Hybrid ideals in particular have the opportunity to create lasting impact as systemic change drivers.

Shonaquip, as a case study, presents an interesting model of a hybrid ideal and combines a wide variety of different activities while never losing sight of its social impact agenda. Shonaquip manufactures, provides clinical services and community empowerment programmes, actively supports community volunteering, and has been

a pioneering voice for social and policy change in the sector. As such it combines the legacy of civil society organisations within a corporate framework.

The story of Shonaquip, one of the oldest and most successful social enterprises in South Africa, tells of its evolution, challenges and entrepreneurial vision in developing a new model to deliver its mission. It raises interesting examples. The lessons learnt over nearly 25 years of self-reflection and evolution are particularly relevant as more and more NPOs and Entrepreneurs are attracted to the sector both globally and in low resourced environments.

Shonaquip has chosen to build on its existing structure: securing and building on the legacy and experience of civil society organisations in order to create sustainable social change. To fully understand the choices made, it is however important to contextualise social enterprises within their legal framework in more detail. This will form the basis of documenting how Shonaquip as a closely integrated family of social enterprises proposes to leverage on the opportunities presented by the different legal models available.

Chapter 3: Legal and Financial Framework

“Social entrepreneurs innovate by creating entirely new approaches that go significantly beyond regulatory requirements.” Skoll Centre for Social Entrepreneurship, 2016

3.1 Introduction

The research questions outlined at the beginning of the study includes identifying what opportunities and challenges need to be addressed to enable social entrepreneurs to increase their social impact through identifying and exploring the opportunities provided by different organisational models. In order to do this, the legal frameworks available, on which to design a model for sustainable social impact, needs to be unpacked and understood to ensure synergy.

Social enterprises have been recognised as an opportunity for social change makers to sustainably deliver social change and benefit for the population. Unfortunately, the lack of a clear regulatory environment, and understanding of social enterprises, can limit the ability of social entrepreneurs to leverage the opportunities available to either for-profit or for-purpose.

The legal, regulatory and tax environment created by a given government has the ability to help or hinder the development of the social enterprise sector. While understanding the legal frameworks available will not, in and of itself, provide solutions to overcome these limitations, it will serve to clarify why many social enterprises and Shonaquip in particular, have chosen to innovate within this landscape to create multi-organisational models specifically structured to deliver on its social purpose. As these frameworks differ internationally, there are lessons to be learnt from international solutions for all social entrepreneurs.

South Africa has a number of unique legislations and state incentives for public good. These include the legislation around Broad Based Black Economic Empowerment which can provide an opportunity for those working in social impact to leverage (depending on their own legal framework) the support of other companies and investors. This will be discussed in more detail following a comparison of legal entities in relation to global counterparts.

This chapter will first unpack the international legal frameworks available for both social enterprises in order to identify how other countries have attempted to sustain, support and engage with social enterprises.

This will be followed by a summary of local legal frameworks. Like most of the world, South Africa has no specific legal framework for social enterprises. Social entrepreneurs are therefore faced with a choice between housing their enterprise within either commercial or non-profit legal frameworks. It is therefore important to unpack the options available for South Africa social enterprises as commercial entities, not-for profit entities or multi-organisational hybrids.

Finally, Social Enterprises, like all entities, exist within a context of potential partners, supporters and suppliers. It is therefore important to document the various legal incentive schemes that support public benefit organisations and address the opportunities presented by the Broad Based Black Enterprise Empowerment legislation.

3.2 General Legal Context

There is no specifically designed legal form for social enterprises internationally or in South Africa and this gap has been identified as an obstacle to sector development (Steinman & van Rooij, 2012). As is the case in all countries, The Legal Resource Centre (LRC) identified three principle options: (a) Non-profit entities: Non-Profit Companies (NPC) and Voluntary Associations and Trusts; (b) For-profit entities: Private companies and Co-operatives; and (c) Hybrid structures where the aims, objectives, and activities are divided between two or more legal entities (Littlewood & Holt, 2015(a):10).

“Any attempt to provide a conducive, enabling environment for social enterprise development will need sufficient flexibility to allow for these different views and needs. This applies not only to the legal and regulatory environment, but also to the provision of financial services for social businesses, and to the development and provision of non-financial business development services for social businesses.” (ILO, 2011 (a):3)

Steinman (2010) has identified the lack of a definition as being one of the factors hindering the growth of social enterprises; and the expression ‘social enterprise’ is referred to as a generic term. A literature review on the topic of social enterprise reveals that there has been limited research conducted on the subject in the context of South Africa.

Steinman and van Rooij identified during a 2012 study (which included a case study on Shonaquip) that study of Shonaquip emphasises the lack of dedicated business forms and highlights how this impedes the creation of sustainable jobs. In their opinion a new legal framework for social enterprises, allowing for limited equity, would make scaling up easier. (Steinman & van Rooi, 2012:8)

While there may be no official framework, the first working South African definition as adopted at a National Conference on the enabling environment for social enterprise development in South Africa, hosted by the ILO in October 2009, is:

“A social enterprise’s primary objective is to address social problems through a financially sustainable business model where surpluses (if any) are mainly reinvested for that purpose” (ILO, 2010:50)

Academically there has been a push to accept this definition initially proposed by Steinman (Steinman, 2010).

As has been documented earlier, a social enterprise can be a for-profit, a not for-profit or a hybrid organisation. The advantages and limitations of the three models have already been explored. There are however other legal frameworks that present

opportunities and limitations and which should be considered the appropriate vehicle for a social enterprise. These include tax incentives, which in South Africa are governed under the Income Tax Act No. 58 of 1962, and donor incentive schemes for PBOs under the Taxation Laws Amendment Act No. 30 of 2000. The benefits, as well as the restrictions, may sway a social entrepreneur when deciding on the best legal framework for his or her social enterprise. In addition, depending on the nature of the social enterprise, B-BBEE legislation and the B-BBEE Act No. 53 of 2003 will impact both on the management of the social enterprise and on the opportunities available. Finally, depending on whether the social enterprise model has, or is, a NPO, various additional legislations and policies may apply – such as the Integrated Service Delivery Model for Social Welfare, 2005 and the National Policy on Financial Awards to Service Providers (PFA) 2004.

The choice as to whether to register a for purpose company or not for profit company or hybrid is based on the benefits of each entity to undertake trade or commercial services in order to deliver on the social impact goals. It is important to consider the statutory framework for all available entities, and just as important to understand the supportive statutory benefits.

3.3 International Frameworks for social enterprises

The international frameworks available for social enterprises provide insight into the options of solutions available to social enterprises globally. The longer history of social enterprises in Europe and the USA has allowed time for the exploration of options to overcome the challenges and risks facing this new merged model of often opposing paradigms.

As documented in section 2.5.1, the history of social enterprises evolved independently in Europe (including the United Kingdom) and the USA. The variety of different legal models reflects this history. The United Kingdom, a number of European countries and certain states of the United States of America have initiated legislation to support Social Enterprises. The UK has Community Interest Companies; the USA has a wide variety of different corporate frameworks; while Italy and Spain like many other European countries have registration platforms for social enterprise largely based within the co-operative model. All of these are for profit entities and focus on income only through sales and private investors (or in some cases foundations) and have none of the tax benefits available to non-profit organisations despite the origins of social enterprises as influenced and evolving from civil society.

3.3.1 *United States of America*

Since 2010 a number of states have enacted legislation to create legal forms for purpose businesses. There are currently four different legal models available. However the choice of which entity is most appropriate for the social enterprise is restricted by mission, activity and in most cases which state the business is registered in. As of the writing of this research, thirty States and the District of Colombia have recognised Benefit Corporation (Benefit Corps) Legislature; six states have legislation related to Low-Profit Limited Liability Companies (L3C); four states have adopted Social Purpose Corporations (SPC) legislation; and only two states provide frameworks for both Benefit Corporations and Benefit Companies (BLLC). BLLCs will not be discussed

further as a result. It is worth noting that none of these entities enjoy the tax exemption afforded to NPOs (Internal Revenue Service, 2016).

The Social Enterprise Law Tracker has tracked the registration of the various forms of social enterprises (as well as the failure to pass others) across the country. Because of the complexity of multiple different models, and tracking what legislation failed and repealed this map has limited scope when not interactive. However it does present an overall impression of the movement in the USA.

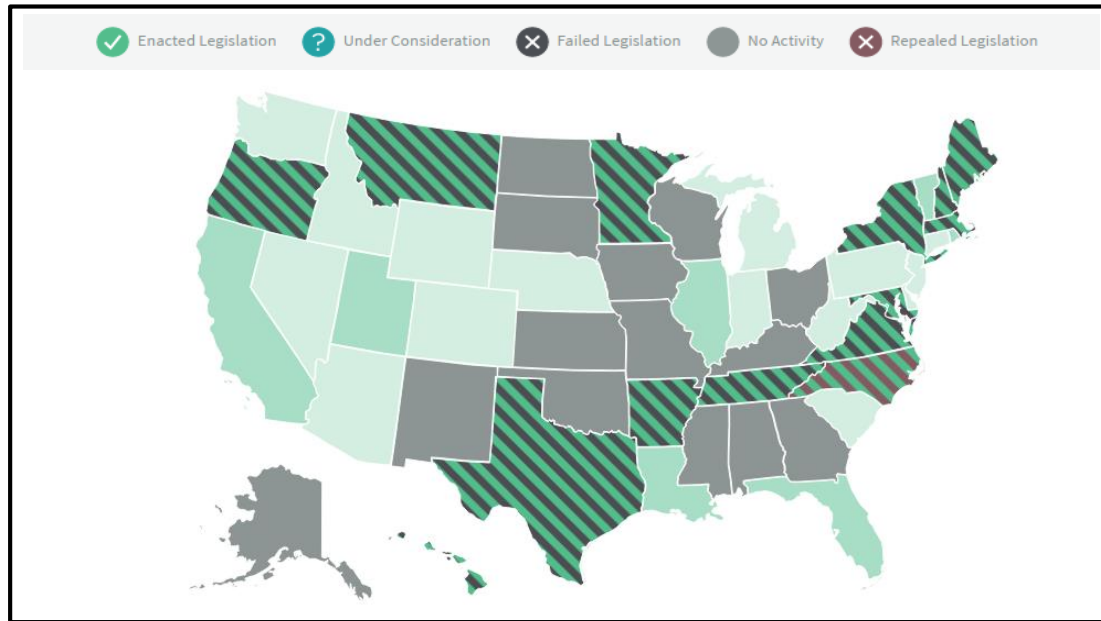


Figure 5: Social Enterprise Law Tracker Status (Social Enterprise Law Tracker, 2016)

a. Traditional For-Profit Entities

As with other countries, the challenges and limitations involved in maintaining tax exempt status lead many social enterprises in the USA to operate their NPOs as for-profit enterprises, with or without a corresponding NPO. Like in most countries, however, the American IRS places a cap of 10% on tax deductible donations after which profits are taxed at the corporate income tax rate (Doeringer, 2010:304). The responsibility of a For-Profit Entity is however to provide shareholder benefit.

b. Benefit Corporations – Securing the Mission

The most popular legal framework for Social Enterprise Companies in the USA is that of Benefit Corporations. A benefit corporation is a new class of for-profit corporation, specifically created to deliver a material, positive impact on society and the environment, and carries a requirement to report on its overall social and environmental performances (Lane, 2014). So far, 30 states and the District of Columbia have authorised the registration of Benefit Corporations (B-Corporations).

The essential difference between a B-Corporation and a traditional business is that registration as a B-Corporation limits the concept of shareholder primacy. Registration allows directors and officers the legal protection to pursue an additional mission and consider the additional interests of all stakeholders besides profit, including the non-financial interests of the company's workforce, community and environment at the expense of financial returns. This allows the founder(s) security of mission as the

enterprise scales and attracts investors. The American White Paper on Benefit Corporations outlines that there is:

- “1) a requirement that a benefit corporation must have a corporate purpose to create a material positive impact on society and the environment;
- 2) an expansion of the duties of directors to require consideration of nonfinancial stakeholders as well as the financial interests of shareholders; and
- 3) an obligation to report on its overall social and environmental performance using a comprehensive, credible, independent and transparent third-party standard.” (Clark & Vranka, 2013:13).

It is thought that, by regulating the requirement for greater transparency and accountability, benefit corporations will be able to attract the firm funding of social-impact investors and inspire customer loyalty (Lane, 2014). In all other ways, benefit corporation statutes are the same as those applying to all other state corporation codes.

c. Low-Profit Limited Liability Companies (L3C) – Legal and Tax Flexibility

While nine states have active legislation related to L3C forms, a far greater number have rejected this model. L3C offers the legal and tax flexibility of a traditional LLC but is able to attract private capital from foundations to specific programmes or ventures leveraging the Tax Reform Act of 1969. This act obligates private foundations to annually disperse a minimum of 5% of their assets for social benefit – but this law also created the opportunity for “program-related investment” or “PRI.” This PRI could be in the form of a loan, guarantee, credit or investment and allows L3Cs to leverage finances that may otherwise not be available.

d. Social Purpose Corporations (SPC) – Securing Capital Investment

Only four American States have, to date, registered frameworks for Social Purpose Corporations. It can be distinguished from L3C and Benefit Corporations in that it is primarily intended as a framework for for-profit companies to attract traditional capital market investment.

3.3.2 Europe

The history of legal forms of Social Enterprises in Europe has a very different starting point to that of the United States of America. Social enterprises were typically initiated in response to a withdrawal of public services and were often linked to the social movements of the 1970s (UNDP, 2012:6). Social Cooperatives are a common legal form in Italy, Spain and Slovakia for example.

Many European countries have separate legislation (much like South Africa) for the granting of the status of Public Benefit Organisation and the associated tax rebates. While this is restricted to organisations (which, depending on the country, would include traditional charity structures, but also associations, foundations, social cooperatives etc.), this is separate from the legal framework of the entity itself.

The December 2014 report submitted by ICF Consulting Services and contracted by the European Union to map social enterprises and their ecosystems in Europe identified that, of the 29 countries studied, 20 had a national definition of social enterprise – although their definitions varied.

The study mapped 29 countries with different economic and welfare contexts, traditions and, as a result, evolution and models of social enterprises (European Commission, 2014 (c):3).

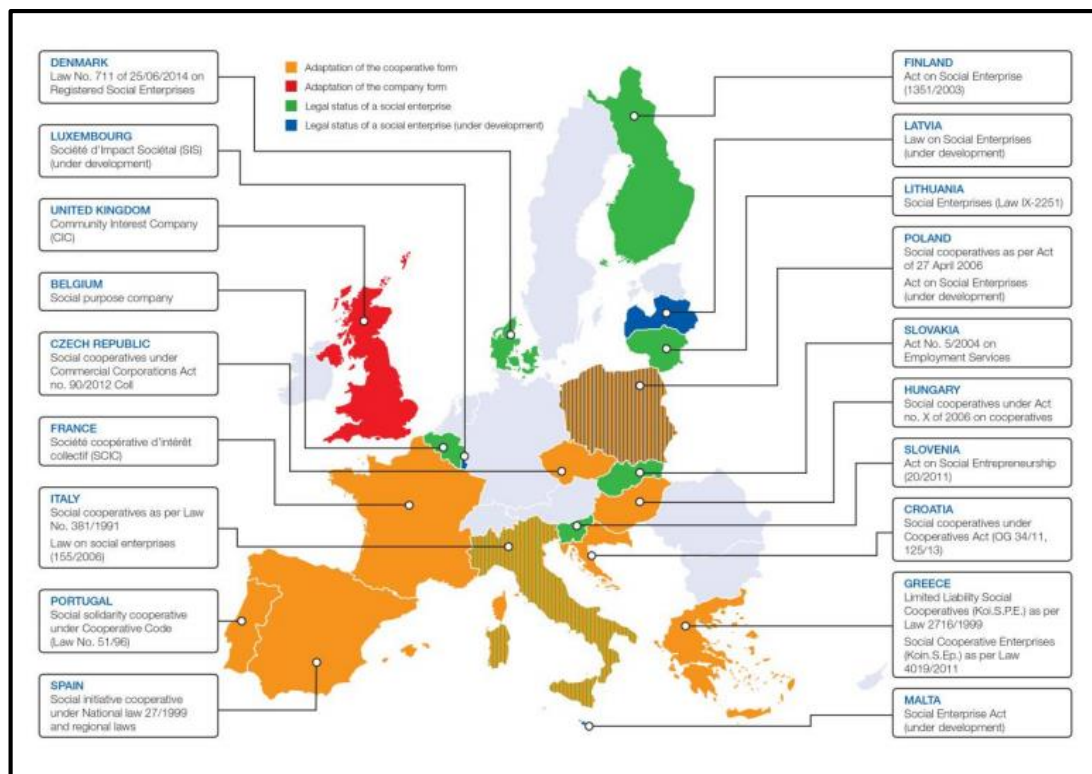


Figure 6: Countries with specific legal forms or statutes for social enterprises (European Commission 2014 (c):3)

In some countries – Finland, Lithuania, Poland, Slovakia and Sweden – the legal definition of social enterprise is narrowly focused on work integration social enterprises. This excludes enterprises pursuing any other social impact objectives (European Commission, 2014(b):3). Many others limit the legal definitions of ‘public benefit’ activities that a social enterprise can undertake, in a similar fashion to the registration of PBO status highlighted above. These include Austria, Bulgaria, the Czech Republic, Germany and Switzerland (European Commission, 2014(b):3).

There is no standardisation across the European Union. The United Kingdom has adopted a definition that is based on the current company format (European Commission, 2014(d)). Many countries have adopted definitions that have evolved from the co-operative formats.

a. Co-operative Model and Mixed Co-operative model: Italy

The model in Italy has strong recommendations: rather than focusing on the corporate structures available to leverage income and maintain mission, legislations are firmly framed within the Civil Society rubric. Registration as a Public Benefit Organisation

(with the resultant tax deductions on donations) and or as a Social Enterprise are processes independent of the registration of the legal entity.

In Italy, like Spain and a number of other European countries, a wider variety of organisations are able to register as a Public Benefit Organisation – from any not-for-profit legal entity to social cooperatives, although for-profit companies are excluded. In a similar fashion, social enterprises are not a distinct institutional form but rather principles that an organisation must observe. As a result, a wide variety of entities are able to register as social enterprises, including commercial entities.

Legal entities are therefore able to be social enterprises and PBOs. It is unclear however what the benefits related to registering as a social enterprise are, as social enterprises per se are not able to register as a PBO.

b. CIC and for profit subsidiaries: The United Kingdom

As in other European countries, charities (public benefit organisations) are not a distinct institutional form but rather a certification that the entity operates for a charitable purpose and provides public benefit to the public. In the UK this is governed by the Charities Act of 2011 and organisations register with the Charities Commission. As is the case globally, charities may engage in economic activities which further the primary purpose of the organisation. Unlike in many other countries, however, UK charities are able to have a for-profit subsidiary with the profits transferred tax free to a charity.

The British government was one of the first to attempt to formalise support for social enterprises with the creation of a specific legal form – a Community Interest Company (CIC). However, there is no legal definition of a social enterprise in the UK. The government states:

The term “social enterprise” describes the purpose of a business, not its legal form. It is defined (by the British government) as “a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners” (British Department for Business, Innovation and Skills, 2011:2).

As is the case in Italy and Spain, this legislation places the burden of registration not on the nature of the legal entity, but on the objectives. As a result, a sole trader or a registered company could be a Social Enterprise. Most Social Enterprises are limited liability companies, community interest companies, and industrial and provident societies. As is typically the case with social enterprises the nature of the Social Enterprise will usually limit the choice of legal framework.

In 2004, the government established the Community Interest Company (“CIC”) as part of the 2004 Companies Act (European Commission, 2014 (b):3). The primary benefit of the CIC is that it allows enterprises that otherwise may have operated as charities to engage in an unrestricted amount of commercial activity, so long as the enterprise provides a community benefit. CICs do not receive the tax benefits of registered charities but they are able to access funding from the government’s social enterprise investment fund and from the national lottery fund (Doeringer, 2010:314). There is also limited opportunity to receive donations from foundations. Take up for CIC registration

has been slow and many social entrepreneurs still prefer to register as Limited Liability Companies.

In 2010, the UK introduced a voluntary Social Enterprise Mark to promote social enterprises. This was followed, in 2013, by the United Kingdom passing the Enactment of the Public Services (Social Value) Act 2012 which requires public bodies in England and Wales “to have regard to economic, social and environmental well-being in connection with public services contracts; and for connected purposes” and in 2014 a social investment tax relief was introduced to encourage the support of social enterprises and provide social enterprises with access to new sources of finance (European Commission, 2014(d):i).

In addition the United Kingdom is also looking at other ways to support social enterprises including Social Impact Bonds (SIBs) as well as a number of other financial investment schemes. After 10 years of concerted effort, social enterprises in the European Commission country report showed the beginning of “real and sustained impact” (European Commission, 2014(d):8.)

3.4 South African Statutory Framework for Social Enterprises as For Profit Organisations

As the social enterprise is engaging in trade or services, many social enterprises consider forming under the statutory framework as for-profit organisations. These include the ability to distribute profits, access to conventional finance and debt, as well as access to enterprise development funding through B-BBEE (with the required status). Furthermore, the public perception of corporates as efficient and business-like, which may attract customers, can be compelling (ILO, 2011(b):22).

Social enterprises choosing a for profit structure in South Africa have the option of being Co-operatives governed by the Cooperatives Act 14 of 2005 or a profit company under the Companies Act 71 of 2008. The Companies Act defines for profit companies as including: state-owned companies (SOC); private companies (Proprietary Limited); personal liability companies (Incorporated) and public companies (Limited) in any other case depending on their Memorandums of Incorporation.

It should be remembered that private companies exist for the explicit purpose of making profits for shareholders (The Bertha Centre, 2015:9). Owners and shareholders may choose to reinvest these profits or use them in line with the aims and objectives of the entity as a social impact vehicle (Legal Resources Centre, 2011:8).

There are three major reasons why private companies are interesting for social entrepreneurs. Firstly, they offer investors and shareholders limited liability protection which means that they are not liable for the debts and liabilities of the company. Directors, unless they breach their duties, also have some degree of protection. Secondly, companies are separate legal persons, so the company can undertake litigation in its own right. Thirdly, the entrepreneur has assurance of perpetual succession and legal continuity (The Bertha Centre, 2015:9). The social enterprise vision however may shift which, as will be seen later, is a driving force for one of the legal social enterprise models proposed in the United States of America. Fourthly,

there are limited opportunities for NPOs to take out loans to invest in growth in an NPO, or tender or trade on long term contracts and export to other government departments (ILO, 2010:9).

The company can sue and be sued in its own name and has perpetual succession or legal continuity. If its shareholders or directors are replaced, the company can continue indefinitely. Private companies may therefore be hundreds of years old. Shareholders are able to participate in the profits of the company through dividends and lenders are able to put in place various security arrangements by, for example, taking security over the shares of the company and/or the assets of the company. While there are tax advantages for NPOs, there are also tax advantages to setting up a company. For example, companies are currently subject to a maximum corporation tax on income of 28% rather than 41%, which generally applies to sole traders, partners (as individual persons) and trusts (The Bertha Centre, 2015).

3.5 South African Statutory Framework for Social Enterprises as Non Profit Organisations

Internationally there are opportunities presented to social entrepreneurs by registering as non-profits. There are numerous benefits to registering as a Non-Profit Organisation for South African social enterprises. If an organisation is registered as one of the not for profit legal entities (Non Profit Company (NPC), Trust or Voluntary Association), it can also register as an NPO under the NPO Act No. 71 of 1997 and receive donations without paying donations tax, unlike companies, corporations or individuals.

The NPO Act No. 71 of 1997 was intended to improve the standard of governance and increase accountability and transparency within the sector. This, together with provisions for a unit with the DSD to support NPOs, was expected to enhance donor confidence. This has however not been backed up by government. A systemic and overarching legislative framework ensuring cross-governmental cooperation to support NPOs is still lacking and even more so in the case of social enterprises (Littlewood & Holt, 2015(a)).

The status of 'Non-Profit Organisation' is, in and of itself, not a legal form for an entity – it is a separate registration that is available for qualifying entities following registration with the Department of Social Development. In order to maintain this status, NPOs need to maintain their compliance with the Department (ILO, 2011(b):19). Non Profit Organisations are, in turn, governed by the NPO Act No. 71 of 1997 and it is a criminal offence to fraudulently claim to be a registered NPO.

Like most countries, 'Public Benefit Organisation' (PBO) is a separate process that allows qualifying organisations to register for tax exemption on the basis of its 'public benefit activities'. This is a registration status of organisation that qualifies with the South African Tax Revenue Service (SARS) for tax exemption on the basis of its Public Benefit Activities under Section 30 of the Income Tax Act.

3.5.1 *International not for profit frameworks for social enterprises*

As has been discussed earlier, the most defining legal characteristic (and incentive) of publically registered NPOs globally, irrespective of whether this is in the United States

of America or Europe, is the fact that they are exempt from tax and able to receive tax-deductible donations (Doeringer, 2010:297). As a result, the non-profit framework remains attractive for social enterprises internationally either as stand-alone not for profits (Kerlin, 2006) or as hybrids. The 2011 Harvard Business School and Echoing Green review of more than 3,500 recent social enterprise fellowship applicants showed a significant shift towards hybrid models with almost 50% reliant on hybrid models vs 37% five years earlier (Battilana, et al. 2012:53).

In part this is because commercial activity undertaken by non-profits needs to qualify as activity which furthers the NPO's exempt purposes – as opposed to fundraising (Doeringer, 2010:299). These various tests and definitions still leave significant ambiguity for social-enterprise NPOs but effectively frame NPOs within the traditional charitable model largely dependent on donor income (Kerlin, 2006:253).

3.5.2 Tax Incentives

When deciding on a suitable entity, it is important to consider the tax implications of the choice. Tax incentives remain one of the biggest benefits of founding a social enterprise within a Non Profit structure. As Non-profit organisations are generally accepted as fulfilling a role in communities whereby they undertake social and development activities which ultimately relieve the country's financial burden, governments typically incentivise their support. Tax benefits are constructed to assist not for profit entities enhance their financial resources, as part of creating an enabling environment to deliver on their objectives (Legal Resources Centre, 2011:19).

The United Kingdom announced in 2015 a new initiative to support investment in Social Enterprises called the Social Investment Tax Relief (SITR); the SITR is a tax incentive programme which encourages individuals to support social enterprises in order to overcome the traditional challenges for social enterprises with regard to accessing funds. Investors can deduct 30% of the cost of their investment from their income tax liability. The investment must be held for a minimum period of three years (HMRC, 2015). To access this funding, the social enterprise needs to be registered as a community interest company CIC; i.e. a community benefit society, with an asset lock or a charity.

Whatever the system, tax relief is a powerful incentive that secures income stream and, depending on the nature of the social enterprise, is the reason many social entrepreneurs form their enterprises as non-profit corporations. However, for a donor to claim tax benefit this cannot be linked to trade; and over a certain percentage of income NPOs have to declare and pay income tax – a burden that many organisations are not prepared for (Legal Resources Centre, 2011:19).

Tax incentives in South Africa come in two forms – incentivising donation through tax benefits to the donor and tax exempt status on income for the NPO itself. However, there are limits to both.

a. South African Statutory incentives for donations to NPOs registered as PBOs

The ability to leverage donations, and the ability to offer donor deductions, may be another reason that Social Enterprises consider either registering as an NPO (and

therefore forming as a trust, voluntary association or NPC) or creating a hybrid in which one entity is a registered NPO.

Donations can be made to any entity or individual. Within South Africa, donations are subject to donations tax which is a set flat rate of 20% (Sections 54 to 64 of the Income Amendment Tax Act 90 of 1962). What is more, legacies are subject to a flat rate of 20% Estate Tax and in the case of fixed assets which are gifted for public benefit purposes but not to a registered NPO, the recipient would also be subject to 10-14% Capital Gains Tax. While donors are able to donate, gift or leave legacies to CSOs or corporate entities, the recipient will be subject to these taxes – incentivising these donations are made to a registered NPO instead.

The South African government, in recognition and support of the work of Non Profit Organisations has tax incentives and exemptions to allow NPOs to receive donations not limited by tax but only if they are public benefit acts (PBAs) undertaken by registered Public Benefit Organisations (PBOs). The South African Revenue Service (SARS) determines whether an NPO fulfils the required criteria before the NPO is awarded additional PBO and tax exempt status (SARS, 2014:2).

Section 18 A of The Income Tax Act 58 of 1962 further incentivises donations for PBA to registered PBOs. This allows registered PBOs the ability to issue tax deductible receipts and donors are able to claim tax rebates on donations given. This is dependent on section 18A approval granted by the Tax Exempt Unit of SARS. It is not possible to apply for registration as an approved Section 18A entity without being registered as a PBO. Organisations must motivate how their activities fall within the ambit of the approved Public Benefit Activities in Part I of the Ninth Schedule to the Income Tax Act. Furthermore, for donations to generate tax incentives for donors, these donations cannot be in the form of payment for goods or services and must be unbound to any benefit for the donor. The South African government directs the choices of donors by incentivising only specific public benefit acts and Religious, Cultural, Sport and Recreational bodies do not qualify. Secondly there are limits to the activities that are legally allowed to be undertaken while maintaining a tax-exempt status for the Non-Profit (SARS, 2014:2).

b. South African statutory limitations on generating income

The challenge faced by NPO social enterprises is that above a certain percentage of income, NPOs have to declare and pay income tax – a burden that many organisations are not prepared for. Not-for-profit entities do not normally generate sufficient income from their activities and typically fundraise from various donors. Moreover, NPOs can lose their PBO (and the resultant tax incentives for donors) if they generate too large a percentage of their income from (or expend too much of their activity on) business or trade, in line with Section 30 of the Income Tax Act as amended by the Taxation Laws Amendment Act No 30 of 2000.

“[A] PBO [is] permitted to carry on business or trading activities provided its sole or principal object remains the carrying on of PBAs. A PBO may not engage in commercial trading activities with the intention of earning a profit and claim that since a portion of the profits used to carry on approved PBAs, it should qualify for approval as a PBO.” (SARS, 2014:11)

This is capped at 5% or R200,000 (SARS, 2014:16). The purpose is to prevent unfair competition with other tax-paying entities (SARS, 2014:15). This essentially negates the opportunity for Social Enterprises to run sustainably within the legal framework of an NPO as it is this very PBO status that is the core benefit of choosing this structure.

NPOs are however allowed to own for profit companies, although income derived from this investment must be to deliver on the founding objective (Legal Resources Centre, 2011:28).

Hybrid Social Enterprises, consisting of more than one entity or vehicle, have to abide by the regulations set up for these types of entities as if there were no affiliation between the two entities; and activities need to be conducted at “arm’s length”. NPOs cannot transfer assets or funds to the for-profit vehicle except where it is in fair payment for services or goods delivered (The Bertha Centre of Social Innovation and Entrepreneurship, 2015:16). Donations made from the for-profit are only tax deductible if they are unrestricted and not for the delivery of a good or service (SARS, 2014:28).

3.5.3 New Legal Frameworks for Enterprise Development Social Enterprises- 30C Trusts

For social entrepreneurs who have as one of their major objectives the development of small, medium and micro enterprises, a new legal option became available in March 2015, specifically to create an alternative legal framework for social change vehicles who wished to undertake enterprise development activities while at the same time enjoying the benefits of an NPO.

The Taxation Laws Amendment Act No. 43 of 2014 outlines in the new Section 30C of the Income Tax Act that the commissioner must approve a small business funding entity for the purposes of enterprise development.

The Section 30C specifically states that the sole purpose or principal object is to provide funding for small, medium and micro enterprises (SMMEs); and that this funding is to be provided on a non-profit basis and with an altruistic or philanthropic intent (Republic of South Africa, 2015).

Section 30C creates trusts that are able to provide investors with the security that their enterprise development funding will be securely managed. At the same time the trust is able to undertake activities that support a particular SMME over a period of many years with the provision of training and mentorship. There are additional requirements in relation to how donations are disbursed. The Act explicitly states that the small business funding entity is “required to utilise substantially the whole of its funds for its sole or principal object for which it has been established” and “must during any year of assessment distribute or incur the obligation to distribute at least 25 per cent of all amounts received or accrued ... during that year of assessment”.

Unfortunately this vehicle is very restricted in that it applies only to those social enterprises with a business development target. Moreover, everything that the new small business funding trusts can do can be delivered under a traditional NPO. It is however hoped that this vehicle will allow investors the security that their B-BBEE targets will be clearly delivered on and therefore incentivise donations. Shonaquip was one of the first organisations to realise the potential of this new trust form to deliver on

two of the principle aims of the organisation; namely to change the socio-economic circumstances of people with disabilities and also to build capacity of skilled individuals who wish to support people with disabilities.

3.5.4 Public-Civil Society Partnerships

As has been mentioned above, the South African Government has embraced the New Public Management Model. This presents significant opportunities for NPO but at the same time serious risks. The challenges related to assimilation and autonomy have already been documented and the recent consultations on the Policy on Financial Awards presents both risks and opportunities to social enterprise organisations who, through an NPO partner, deliver services under contract or on behalf of government. Social Enterprises also have the opportunity to partner with government through a for-profit entity as a supplier through the tender process.

In the case of Shonaquip and the Uhambo Foundation, Shonaquip sells devices on tender to government which includes clinical product training; and Uhambo Foundation is contracted to deliver on a wide variety of targets and programmes for the Department of Social Development. In addition, Uhambo Foundation has a number of contracts with government from undertaking door-to-door surveys to managing policy participation processes and drafting policy frameworks.

The lack of a single or acceptable legal framework makes this more of a challenge for social enterprises, and social enterprises could consider the benefits (and risks) of partnering with government to deliver on joint social impact goals when choosing their structure.

In 2010 the National Lottery Foundation rejected Uhambo Foundation as a beneficiary as a result of confusion about the arm's length separation between a company and its donation recipient, which is common in traditional for-profit/not-for-profit relationships. Since this time, Uhambo Foundation has won an award from the National Department Agency and it is hopeful that social enterprises are becoming more understood and acceptable.

3.6 Legal Framework for Hybrid Social Enterprises

The legal framework for social enterprises either as for-profits or not-for-profit organisations while flexible still provides significant limitations for social enterprises. As social entrepreneurs attempt to determine models that will allow them to scale, hybrid social enterprises may become attractive. As has been discussed elsewhere, multi-organisation hybrids are an opportunity to overcome the challenges and limitations of any one legal entity.

One of the opportunities presented by hybrid social enterprises who choose to register more than one legal entity is the option to maximise the benefits presented by any single legal structure and overcome the limitations of attempting to fulfil two, often conflicting, mandates in one entity. The general opportunities offered by current legal frameworks is simplistically detailed in the table below which has been adapted from the one created by GreaterCapital.

ACTIVITY	FOR-PROFIT	NON-PROFIT
SELL GOODS AND SERVICES	✓	✓ within limits or lose ability to provide donor incentives
RECEIVE GRANTS	✓ often ineligible and liable for donation tax	✓
RECEIVE DONATIONS	✓ but liable for donation tax	✓
TAKE OUT DEBT	✓	✓ typically high interest rates
ISSUE EQUITY	✓	✗
RECEIVE TAX EXEMPT STATUS	✗	✓
OFFER DONOR TAX EXEMPT STATUS (SECTION 18 A)	✗	✓
MAKE PROFIT	✓	✓ within limits or lose ability to provide donor incentives
DONATE PROFITS OR INCOME	✓ limited by fiduciary responsibility	✓ limited by fiduciary responsibility
DISTRIBUTE PROFITS TO DIRECTORS OR SHAREHOLDERS	✓	✗

Table 6: Legal Incorporations and their Consequences. Adapted from GreaterCapital 2011:13

3.7 Broad-Based Black Economic Empowerment

One of the major opportunities offered to social enterprises in South Africa, depending on the organisation's structure and purpose, is the possibility of leveraging other legislation designed by the state to assist with the transformation and upliftment of the country through Broad-Based Black Empowerment.

“Procuring from, investing in, and supporting social enterprises through philanthropy can also significantly benefit larger businesses in meeting their B-BBEE targets. So a company may provide Enterprise and Supplier Development support to a social enterprise that has high levels of Black Ownership, Black Management Control, and which invests heavily in Skills Development. These companies can then procure from that same social enterprise amassing cumulative B-BBEE points.” (Littlewood & Holt, 2015(a):15)

It is important, when considering the appropriate model and structure for the social enterprise, that these opportunities are considered as different components that have benefits, restrictions and obligations depending on whether the social enterprise consists of a for-profit or not-for-profit vehicle or a hybrid thereof. While lead by the vision of a holistic delivery vehicle, Shonaquip took the new codes into consideration when shaping the new structures.

In 2003, the Broad-Based Black Economic Empowerment (B-BBEE) Strategy was published, followed by the B-BBEE Act No. 53 of 2003 with the objective of advancing the economic transformation and economic participation of black people in the economy. B-BBEE is part and parcel of the South African Government's mandate to redress the inequalities of the past. As a social impact vehicle, B-BBEE not only impacts on the daily management of social enterprises, it also presents an opportunity for strategic partnerships.

While B-BBEE legislation is not applicable internationally, the structured approach that it provides does allow other organisations to frame their approaches to corporate partners.

3.7.1 Opportunities for Strategic Corporate Partnerships

There are a number of areas in which Social Enterprises are able to intersect and form beneficial partnerships (depending on their own B-BBEE scorecard) with other corporate entities within this B-BBEE framework.

Following the introduction of new codes, there are currently five themes that are taken into consideration when scoring a company: Ownership; Management Control; Skills Development (SD); New Enterprise and Supplier Development (ESD); and Socio-Economic Development (SED).

Steinman and van Rooij (2012) also propose that B-BBEE legislation supports the growth and financial sustainability of social enterprises through investment. One challenge that remains is that some accreditation agencies believe that non-profit social enterprises are excluded from receiving enterprise development funding; however this is not the case where social enterprises are formed as for-purpose corporate entities. That being said, non-profit social enterprises are able to leverage socio-economic development.

“(Investing in social enterprise development) has the potential to create a virtuous circle in which financially sustainable enterprises can be stimulated, which tackle key social issues and, assuming the B-BBEE frameworks can be tweaked to take this hybrid approach into account, provides an added incentive for the private sector to invest in social enterprise development” (Fury, 2010:3)

3.7.2 Socio-Economic Development

The B-BBEE programme's Socio-Economic Development theme (SED) incentivises social-economic development for black South Africans. The B-BBEE codes measure the extent to which enterprises carry out initiatives that contribute towards Socio-Economic Development. Donations and investment in the social impact programmes of a social enterprise (depending on whether they qualify) would be able to contribute to a donor's SED Points. Typically, all donations made to NPOs are recorded by companies as part of their SED spend.

3.7.3 Enterprise and Supplier Development

Enterprise and Supplier Development measures the extent to which enterprises carry out initiatives intended to assist and accelerate the development and sustainability of black entrepreneurs and enterprises. ESD comprises both Enterprise and Supplier Development and Preferential Procurement.

a. Enterprise and Supplier Development and Social Enterprises

The requirement to qualify as an ESD beneficiary is that the enterprise is financially and operationally independent, has a turnover of less than R50 million and has at least 51% black ownership. This is an untapped opportunity for Social Enterprises should they qualify. It also incentivises Social Enterprises to consider restructuring to ensure at least 51% black ownership.

The Clothing Bank is considered a best practice example both of Social Enterprise and of Enterprise Development in South Africa: it supports over 500 women a year through a three year, mentored enterprise development programme. It has over the past five years diversified its programmes to include micro franchise training programmes. The Clothing Bank actively leverages B-BBEE to secure its income (Clothing Bank, 2016). This includes offering skills development points through its core training programme; Enterprise Development points through its registration as a third-party Enterprise Development Service Provider programme; and ownership points as a broad-based black share ownership scheme that creates ongoing income in the form of dividends. Its clear strategy to leverage diverse income through strategic partnerships based on leveraging the benefits of B-BBEE has developed and sustained its model.

b. Preferential Procurement

Enterprise development should not be confused with procurement and the requirements are different. Procurement is a continuous process while enterprise development can be a one-off event. To qualify for Preferential Procurement, a company or social enterprise needs to be classified as an empowering supplier. With Social Enterprises having an annual turnover of less than R50 million, there are additional B-BBEE incentives in supporting social enterprises in terms of preferential procurement.

There are cases where enterprise development and procurement can work hand in hand. For example, if a company offers its truck drivers the opportunity to become subcontractors instead of remaining employees, it is empowering them. By giving them business skills training and providing terms for them to pay for the trucks, the company earns points for enterprise development.

Founded in 1997, Township Patterns is committed to environmental sustainability, job creation and social innovation through a wide portfolio of products. The parties involved include a registered NPO called “Afrique du Sud Bidonvilles” (ASB) which supports the logistics and the training of co-operatives. Seven registered employee owned co-operatives produce bags; and the for-profit Township Patterns CC markets and sells the bags through supermarkets and other suppliers. ASB provides emerging cooperatives with subsidised machinery to become economically productive as well as providing a market through the supply chain created by Township Patterns (Township Patterns, 2016; Littlewood & Holt, 2015(b); and Labesse, 2013). Township Patterns

donates 2% of its sales to the non-profit, covering 15% of its running costs. Other income is generated through fundraising (GreaterCapital, 2011:50). While it is not known how much they leverage preferential procurement and enterprise supplier development opportunities for donors and investors, this model would perfectly tie in with a social enterprise's vision and the framework of the B-BEEE Codes. As will be discussed in Chapter 5, Shonaquip is actively exploring ways to undertake similar programmes from 2017.

What is important to note is that enterprise and supplier development also includes support for training and expert volunteers. As social enterprises scale, this is an opportunity to leverage additional support while reducing the internal costs involved.

Other strategic partnership opportunities between the corporate sector and social enterprises include channelling corporate investment into small, medium, and micro enterprises in line with the social enterprise's vision. This allows corporates to access Enterprise and Supplier Development points for their B-BBEE scorecards while at the same time supporting the development of entities which in themselves deliver on the social enterprise vision. This could be through creation of jobs and employment, such as the models run by the Clothing Bank and Learn to Earn; or by developing micro enterprises that in themselves deliver the intended social impact, like the LifeCo UnLtd Group.

There are significant opportunities for qualifying social enterprises to leverage the B-BBEE framework to partner with larger corporations to increase their social impact. The choice of social enterprise structure, ownership and management will however impact on which B-BBEE theme is applicable and available. Social Enterprises such as Life Co UnLtd have successfully leveraged the opportunities provided by B-BBEE legislation through their hybrid model.

LifeCo UnLtd SA registered as an NPO in 1997 with a mission to invest in people for enhanced enterprise and life performance. The NPO has not sought funding and focuses on selling training and capacity building programmes packaged in a range of business units. In 2008 it established a trust (LifeCo UnLtd Trust) and a for-profit investment company (LifeCo UnLtd Investments (Pty) Ltd, creating the LifeCo UnLtd Group. The company is owned by the trust, and the trust has only one beneficiary: LifeCo UnLtd, the NPO (Bertha Centre, 2015:17 and LifeCo UnLtd, 2016).

This hybrid structure provides a range of different benefits. The charitable trust is able to own stakes in private companies and hold capital for gain. This allows the trust to de facto own portions of multiple other companies as a B-BBEE or Enterprise Development partner and receive Enterprise Development investment, bringing additional revenue to the NPO. In turn LifeCo UnLtd Investments (Pty) Ltd raises market capital to finance its investment stakes and or new ventures (Bertha Centre, 2015:17 and LifeCo UnLtd, 2016).

Each entity has its own board, which results in increased complexity but is able to maintain a transparent line to social impact. As of the end of 2015, LifeCo UnLtd had secured sustainability with over R100 million in assets and over 60 000 beneficiaries nationally (Bertha Centre, 2015: 17 and LifeCo UnLtd, 2016).

The projects and programmes undertaken by the social enterprise would need to be in alignment with the corporate's own activities in order to utilise the multiplier of preferential procurement. Hybrid social enterprises with multiple organisations including registered NPOs have the opportunity to provide corporate partners with a one stop shop for both SED and ESD investment, which might make it easier for partners to leverage their B-BBEE points.

3.8 Summary

The various legal frameworks define the nature of and present social entrepreneurs with a variety of options, each with its own opportunities and limitations. There have been significant strides since 2010 to create legal frameworks for Social Enterprises – but many of these models are based within single entity corporate structures. None of the international models have a framework for social enterprises that allows them to:

- bridge the demands of commercial enterprises to secure investment capital;
- overcome the challenges of the social enterprises to limit their profit making to deliver on a double or triple bottom line; or
- allow and incentivise public and private support for their social purpose through donations.

The UNDP 2012 report on *Legal Framework For Social Economy And Social Enterprises: A Comparative Report* presents a simple but profound model of the challenges that still remain for social enterprises as they multiply their income streams but are restricted by the existing legal frameworks.

Multi-organisation hybrid social enterprises are still the only mechanism which allows diversified income through sales and investment while still retaining the ability to incentivise donations through tax benefits. Sadly, the restrictions on donations between hybrid entities remain the same as between registered non-profit entities and traditional corporate structures.

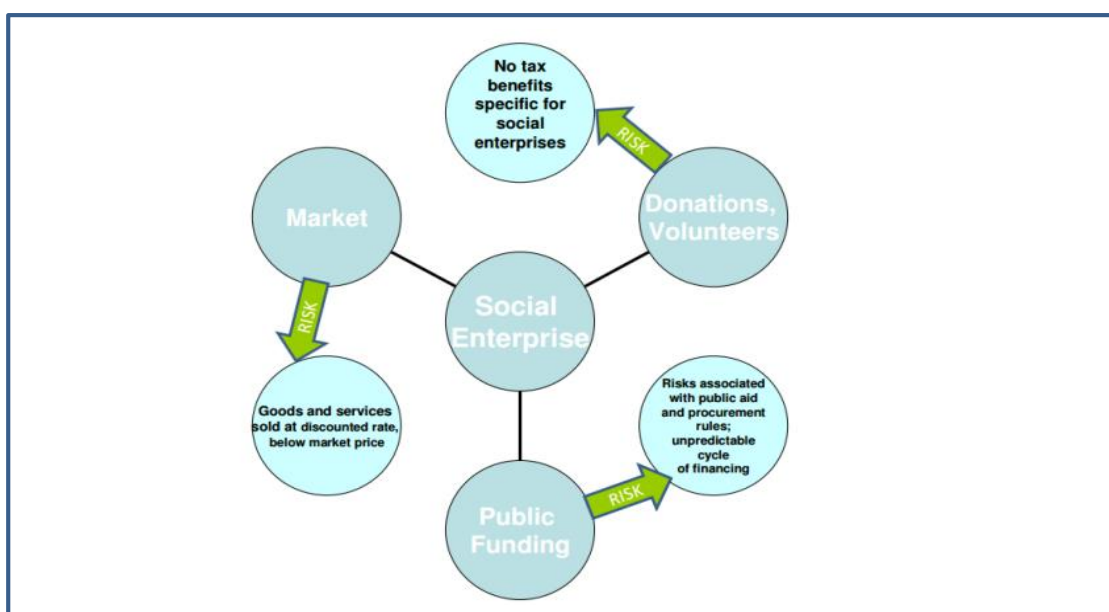


Figure 7: Sources of Income for SE and Perceived Risks. Developed by D. Golubović (UNDP, 2012:63)

Within the specific South African context, Broad-Based Black Economic Empowerment offers a multitude of opportunities for social enterprises (depending on their structure and ownership) for strategic partnerships with corporations. These partnerships, while delivering on government agendas for social transformation, will help limit the challenges facing social enterprises in relation to investment for scale and dependency on state mechanisms.

The choice of a social entrepreneur as to the model they choose to create for their vehicle is a separate process to that of defining whether they choose to be a hybrid ideal where each entity delivers on the same united vision, or a hybrid social enterprise of a for-profit and a parallel social impact purpose.

The case study presented in the next chapter tracks the evolution of Shonaquip as a family of multiple organisations as it seeks to leverage the benefits, and overcome the restrictions, of the existing frameworks while maintaining the united vision of a hybrid ideal.

Chapter 4: Shonaquip 1992-2016 Case Study

4.1 Introduction

There are many legal options available to social enterprises and social entrepreneurs as they seek to develop and scale their social enterprises to deliver sustainable social impact.

Shonaquip is one of the oldest and arguably one of the most successful social enterprises initiated in a lower resourced country. The main focus of the case study will be on the evolution of Shonaquip into a multi-organisational hybrid ideal driven by the need to scale and effect sustainable impact focusing on creating an inclusive society for children with mobility disabilities and their families.

The intention is to deliver on two of the main research objectives namely to document the evolution of a sustainable, multi-organisational, hybrid social enterprises delivering a holistic approach to social impact and to analyse Shonaquip's evolving organisational model as it sought, and continues to seek, to overcome the limitations of traditional civil society organisations.

As a result of the complexity, influences, shifts in focus and organisational design of Shonaquip that have taken place over the last 25 years. This history is detailed in depth and links to previous chapters in relation to legal frameworks are covered and clarified in greater depth in Chapter 5. This case study forms the basis from which to draw on the lessons learnt from the evolution of social impact vehicles and the changing legislative and socio-economic landscape to frame the shifts within both organisational focus and structure in order to identify specific themes.

This chapter seeks to address the research question as to what lessons can be learnt that can help researchers and practitioners in lower income countries to build sustainable social enterprises. Over the last 25 years, Shonaquip has faced significant challenges, from financial crises to a mission drift that almost split the organisation. It has come through these challenges as a stronger organisation with a clear vision and united approach to delivering holistic social impact.

To understand the evolution of Shonaquip as a social change organisation, this chapter includes a contextualisation of the disability sector. The disability sector, and particularly the spatio-social model of disability, frames the activities undertaken and the organisational model.

This will be followed by documenting the evolution of Shonaquip from a single entity closed corporation within a context of other social impact organisations in 1992 to 2010 when Shonaquip (as a hybrid ideal social enterprise) restructured as a multi-organisational social enterprise consisting of Shonaquip Pty Ltd and the Uhambo Foundation. The period from 2010 to 2016 will be addressed in more detail to document the specific challenges faced in a period of financial uncertainty and the emergence of a re-unified hybrid ideal in 2015. With two different entities evolving independently of each other, this has, for the sake of clarity, been broken down by year. By highlighting the challenges, and lessons learnt, over this period it is hoped

that practitioners will gain an insight into the unique struggles faced by social entrepreneurs and the strengths and weaknesses of the multi-organisational model.

The chapter will conclude with a reflection on the themes and contextualise Shonaquip's current organisational structure as it seeks to deliver on its social purpose and highlight the need for further modelling and organisational evolution.

4.2 Case Study Outline

4.2.1 *Reflecting on the research problems and questions*

The research problem identified focused on the need to provide a deeper understanding of opportunities available to, and challenges facing, hybrid social enterprises in South Africa. The three focus areas identified included: clarifying the challenge of social enterprises in low resourced settings; the importance of recalling the civil society origins of social enterprises in order to make sustainable social impact and to provide, through a case study, to identify potential opportunities offered by the different legal entities as vehicles of social change.

The research questions posed at the start of this research were: to identify the opportunities and challenges facing hybrid social enterprises as they increase their social impact; to indicate the organisational models available; and to establish the lessons learnt in practice.

Chapter 4 presents a qualitative in-depth case study focusing on Shonaquip, as one of South Africa's oldest social enterprises, documenting and contextualising its evolving organisational structure as it sought both to overcome the limitations presented by any one legal structure and to leverage new opportunities to sustainably deliver holistic social impact.

To understand the new model of Shonaquip, and to provide insight into the challenges and limitations faced by the current legal structures of social enterprises, the evolution of Shonaquip needs to be unpacked in greater detail. Shonaquip has evolved from a small, home based, social enterprise to a regional provider of services and resources for children with disabilities and their families and an international advocate for systemic change. During its history, Shonaquip has been the focus of numerous academic studies. This research aims to document areas that have not been addressed in the past: most particularly how it is through continually reflecting on the civil society and social impact of the organisation, rather than on corporate principles, that Shonaquip has been able to achieve the impact that it has.

4.2.2 *Themes Identified*

Shonaquip, recognises that a holistic approach is needed to deliver societal change and has continually evolved in conjunction with partners to try to deliver on the needs of the community it serves. The case study will draw on the lessons learnt during the evolution of social enterprise vehicles and the opportunities, limitations and pressures provided by the range of legal structures available.

The themes identified in the literature review will form the framework for the discussion on the history of Shonaquip as it has evolved into a multi-organisational hybrid. These include:

1. The challenges of securing financial sustainability for social enterprises, inherent in each of the options of legal entities available to social enterprises. This will be highlighted through the experiences of Shonaquip as it has attempted to scale – and through how the new Shonaquip multi-organisation social enterprise has attempted to overcome these challenges.
2. The impact of dependency on funders and government will be emphasised and it is hoped that by documenting these challenges other practitioners can avoid similar knock-on negative impacts.
3. The importance of advocacy and input into policy will be featured, in particular in relation as to how this has impacted on the provision of assistive devices and services for young people with disabilities in a low resourced country.
4. The mobilisation of parents, service providers and volunteers will be highlighted as a vital factor in the ability of Shonaquip to scale service provision nationally.
5. The case study will document the challenges of attempting to maintain a balance between civil society objectives and commercial pressures. The history of Shonaquip and the model designed during 2015 will illustrate the challenges of maintaining vision focus and unity; and show how the development of a hybrid range of organisations may be a solution to the limitations of the current legal frameworks available to social enterprises. This model will be seen to be the culmination of nearly 25 years of experience combining a social enterprise vision with the commitment to social change.

The context of Shonaquip within South Africa, and the disability sector as well as societies evolving understanding of social enterprises has obviously influenced the choices that Shonaquip has made.

4.3 Contextualising Shonaquip

Shonaquip is a capacity building, tools and service providing hybrid social enterprise whose mission is to create an inclusive society for young people with disabilities and their families (Shonaquip, 2016(c):3). Shonaquip's particular focus is on children with mobility disabilities as a social enterprise produces posture support assistive devices, (wheelchairs, standing frames etc.) and provides the associated clinical services and training. In addition the social enterprise trains and empowers parents, caregivers, ECD staff and other stakeholders in addition to direct support services.

Building on the experiences of civil society, this necessitates a holistic approach. In order to understand the models that Shonaquip, as a hybrid social enterprise, has developed to address the challenges faced by its beneficiaries and clients, it is important to understand the sector.

4.3.1 *The Disability Sector*

Young people with disabilities are among the most marginalised and neglected of all members of any society and face daily barriers to the full enjoyment of their human rights.

Dube, writing for the Secretariat of the African Decade of Persons with Disabilities, claims that people with disabilities are often rated low on the list of official priorities, especially in developing countries. Dube concludes that, as a result, people with

disabilities continue to remain invisible in their communities and their issues are often inadequately addressed (Dube in Mji, 2009). Consequently, not only is there still a significant need to lobby and develop appropriate policy for government, but also that a significant proportion of service delivery and capacity development for people with disabilities is delivered by civil society.

Historically, disability has been framed within a medical model – focusing on fixing the “medical problem”. In the 1980s a social model of disability was formulated. This social model of disability recognises that people with disabilities’ inclusion in society and their barriers to access are framed just as much by social barriers to access as by the practical limitations of an individual’s physicality. This has resulted in the need for a radical change in thinking, not only within the service providers in the sector but also within public institutions. The United Nations entrenched the social model of disabilities in the 2007 United Nations Convention on the Rights of Persons with Disabilities.

Both globally and nationally, many young people (and indeed adults) with disabilities still have an unmet need for assistive devices (Saloojee, Phohole, Saloojee & Ijsselmuiden, 2007:232; and Lygnegård, Donohue, Bornman, Granlund & Huus, 2013:307), limiting their inclusion in many activities. Without wheelchairs and posture support devices people with mobility disabilities run the risk of developing significant, preventable, secondary health complications. This lack of access translates into social and economic isolation, leading to limited participation in community life and lack of advancement in other spheres of life (United Nations Convention on the Rights of Persons with Disabilities, Article 19).

a. Defining Disability

The Preamble of the United Nations Convention on the Rights of Persons with Disabilities (CRPD) refers to disability as “an evolving concept and states that disability results from the interaction between persons with impairments and attitudinal and environmental barriers that hinders their full and effective participation in society on an equal basis with others” (United Nations, 2007:1). This shift from a medical and individual perspective to a social perspective is not simple. Individuals are not only disabled by societies; persons with disabilities can often experience problems such as pain that result from their health condition. The WHO in the World Report on Disability argues that a balanced approach is needed (WHO, 2011:4).

The WHO International Classification of Functioning, Disability and Health (ICF) (WHO, 2001) has advanced a new understanding and measurement of disability. Building on the work of disability advocates, social and health science researchers the ICF was developed collaboratively. The ICF classification is increasingly used by researchers and South African officials (Eide 2015; Eide, Jelsma, Loeb, Maart & Ka’ Toni, 2007; Maart, Eide, Jelsma, Loeb, Toni, 2007; Loeb, Eide, Jelsma, Ka’ Toni & Maart, 2008; DSD, DWCPD & UNICEF, 2012:9, to name a few).

In this model, disability refers not to the individual or their medical condition, but to how medical conditions impact on an individual’s ability to interact within their context. Functional problems are classified into three interconnecting areas: impairments (physical limitations or alterations in structure); activity limitations; and participatory restrictions. Disability therefore refers to difficulties encountered in any or all of these

three areas of functioning (WHO, 2011:5). Phrased differently, disability is therefore understood to be the negative aspect of the interaction between someone with a health condition and their contextual environment.

The implications of the social model are that it is the barriers to access that are the disability not the health condition, body functions and structure. As a result the burden shifts from purely delivery of medical treatment to alleviating the barriers to access. As a result, it is vital to identify the barriers to access to services experienced by people with disabilities (including the specific barriers facing children).

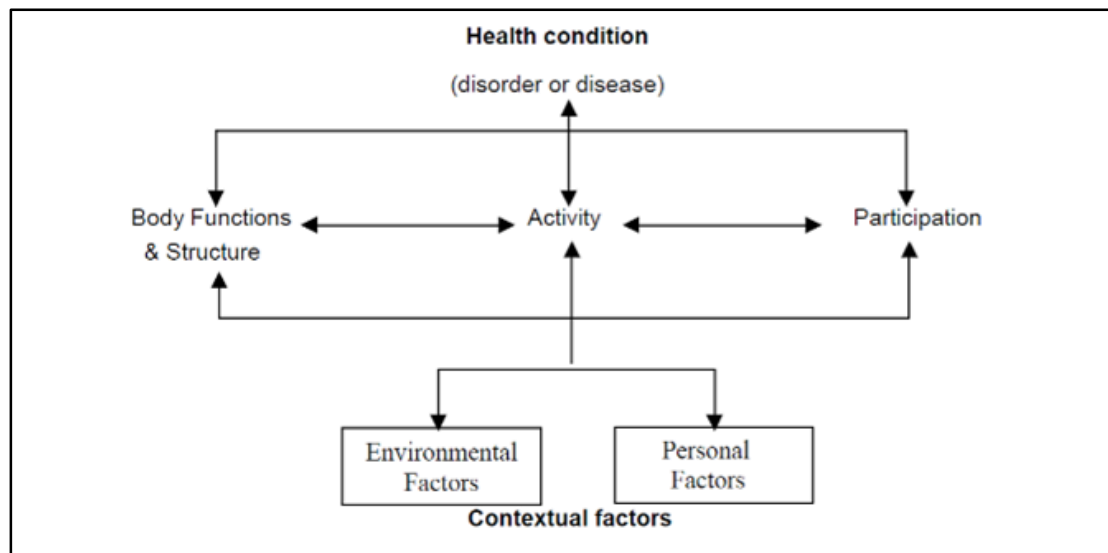


Figure 8: WHO (2001) International Classification of Functioning, Disability and Health (ICF)

Not realising that disability is a social issue has led to limitations in service delivery in the sector.

“Traditionally, disability has always been viewed from a medical and welfare perspective; identifying persons with disabilities as ill, different from their peers with disabilities, and in need of care. Based on this approach, persons with disabilities were grossly underestimated, their social needs neglected and human rights violated for decades” (Statistics South Africa, 2014:13).

The South African Department of Social Development and UNICEF (DSD, DWCPD & UNICEF, 2012) both use the ICF as the framework of their study and state that part of this appeal is that this balanced view of disability as both medical and welfare emphasises a social model “that is focused on removing the barriers that prevent people with disabilities from exercising their right to participate in society” (DSD, DWCPD & UNICEF, 2012:9). To deliver on a vision of creating an inclusive society for people with disabilities, a holistic approach is required.

As will be demonstrated below in section 4.5.8, Shonaquip firmly subscribes to the ICF and the social model of disability. This guides not only the activities of the social enterprise, but the very organisational structure of Shonaquip. Figures 13 and 17 demonstrate the key role ICF plays within Shonaquip as it delivers on this holistic approach.

b. An Inclusive Society for People with Disabilities and their Families

In order to achieve an inclusive society for people with disabilities and their families, the WHO Social Definition of Disability highlights that it is important to address a range of different barriers. These include access to assistive devices and appropriate medical care, access to education and employment opportunities, social acceptance, adaptations to the built environment and supportive policy frameworks. These are all equally interrelated. Capacity building and service provision across all of these sectors – coupled with advocacy, community awareness and mobilisation – are vital to achieve this vision. A phrase commonly heard within Shonaquip is:

“A child in a mobility device staring at a wall is not included; a child lying on the floor in a school is not included either.”

c. Scale of the Challenge in South Africa

The national statistics in South Africa are inconsistent (DSD, DWCPD & UNICEF, 2012:29). As a result, the overall prevalence of childhood disability has only been studied among smaller target populations in South Africa over the past 30 years, and these are often limited.

Globally, estimates of disability prevalence vary depending on what definition of disability is used (DSD, DWCPD & UNICEF, 2012, 2012:63). The definition of disability varies and is changing; and the understanding of the prevalence of childhood disabilities in developing countries, as a result, ranges from 5 to 17% of the population (WHO, 1985). The South African 2011 Census report on the Profile Of Persons With Disabilities In South Africa indicates that this prevalence is 7,5%, with the provincial statistics ranging from 5,3% to 11,1% (Statistics South Africa, 2014). The Executive Summary to the report states:

“The national disability prevalence rate is 7,5% in South Africa. ... 4,2% had cognitive difficulties ... and about 2% had communication, self-care and walking difficulties” (Statistics South Africa, 2014:v).

Because of the inconsistencies in data collection, Shonaquip therefore traditionally uses the international accepted standard of 15% of the world’s population (WHO, 2011)

Statistics South Africa released a report in 2011 entitled a Profile of persons with disabilities in South Africa (Statistics South Africa, 2011:146) which documents in much more detail the challenges faced by people with disabilities and identified that 2,3% of the population needs wheelchairs. Even 2,3% of the South African population of 55,9 million (Statistics South Africa, 2016) equates to over 1 285 700 people.

All studies demonstrated substantial gaps in service delivery, particularly as regards assistive technology (which ranges from glasses and hearing aids to wheelchairs), with nearly 50% of those who indicated they needed one not having access to services. This is particularly true of wheelchairs and posture support devices (Statistics South Africa, 2011:152).

And yet not all wheelchairs are the same. Children with mobility disability have additional needs to adults and require posture support as they grow. This is vital to

prevent secondary complications (WHO, 2015). Many users are unaware of the need for follow-up or experience informational, financial, and physical or transport barriers in accessing wheelchair services. This renders them more vulnerable to the development of secondary complications, increasing disability and poverty (WHO, 2008:22).

Lack of devices, or the provision of inadequate assistive devices, has been cited among the reasons for poor access to education and employment opportunities (WHO, 2010:57). Without assistive devices, people with severe disabilities are confined to their homes with no alternatives (Statistics South Africa, 2011:146). Within South Africa there continue to be significant gaps between both local and international policy and service delivery (Visagie, Scheffler & Schneider, 2013:9). What is more, there continues to be a serious shortage of service providers in rural areas (Cooke, Couper & Versteeg, 2011) where therapists often lack experience and specialised skills (Visagie, Scheffler & Schneider, 2013:8). This is exemplified in the 2015 article, “‘You Must Carry Your Wheelchair on Your Back’: Barriers to Accessing Healthcare in a South African Rural Area”, by Vergunst, Swartz, Mji, MacLachlan & Mannan, 2015.

Across all indices, from education to health, employment and community access demonstrate that there are significant gaps in services for disabled people (Eide, 2015). The Statistics South Africa analysis on disability and income confirms a strong relationship between disability and poverty (Statistics South Africa, 2011:146).

d. Access to Education for Children with Disabilities in South Africa

Children with disabilities have limited access to education. The South African Department of Basic Education released a report in 2015 on the Implementation of Education White Paper 6 on Inclusive Education and reported that an estimated 597,953 children with disabilities are currently excluded from education (Department of Basic Education, 2015:21). 56.3% of children 0-4 with disabilities are not in any form of education (Department of Basic Education, 2015:21). This is a generation of children who will grow up without basic educational skills, limiting their ability to progress in education, gain employment or independence. The challenges faced by parents struggling to access inclusive education, is documented by Dr Ntombekhaya Tshabalala in her 2014 PhD thesis: An exploration of parents' experiences of the inclusion and retention of their disabled children in public schools in the Eastern Cape Province (Tshabalala, 2014).

4.3.2 The Vital Role of The State in Supporting Children With Disabilities

Assistive devices (posture support wheelchairs, standing frames etc.) are vital for the inclusion of children (and adults) with mobility disabilities and are provided by the state under a wide variety of legislation and policy mandates. Rehabilitation and other health needs for persons with disabilities are also covered. These policies include: The Integrated National Disability Strategy White Paper, 1997; Rehabilitation for all. National Rehabilitation Policy, 2000; The National Policy guideline for the Public Sector on the Standardisation of Provision of Assistive Devices in South Africa, 2000; The National Health Care Act 61 of 2003; The Children's Act 38 of 2005, The White Paper for Social Welfare, 1997; and The Department of Social Development Norms and Standards for Services to Families, 2013.

Despite this, there are serious backlogs in the provision of assistive devices by the public sector; and costs associated with purchasing a new device is well beyond the means of the majority of South Africans and are considered significant by public health officials. The cost of a mobility device is, however, only expensive if the public health costs of secondary complications are ignored. Even if one ignores the users' right to health, dignity and community there are significant financial costs to not providing appropriate posture support devices. It doesn't make economic sense to neglect this provision (even if it seems too expensive at the time) in light of the much higher public costs incurred by the secondary complications that will almost inevitably follow such neglect. Admission for pressure sores, corrections for spinal deviations and other preventable secondary complications place an unaccounted, and avoidable, burden on public health services.

The systematic provision of local, affordable, high quality, environmentally appropriate wheelchairs which are prescribed appropriately is therefore vital to overcome the barriers faced by over a million South Africans in need of wheelchairs. The scale of the challenge facing the Departments of Basic Education and Education in relation to children with disabilities is enormous. While the statistic of 597 953 children with disabilities being excluded from education is frightening, it should be remembered that there are at least that many adults who are unable to access employment as a result of the responsibility of caring for their children at home.

Despite the importance of supporting children with disabilities, both to protect their human rights and to the economy of the country, the global economic retraction, as was discussed in Chapter 2, has resulted in many civil society organisations being co-opted into delivering services for the state and being funded by the state to deliver projects and programmes.

Social issues are complex and require a nuanced, multipronged solution. Literacy Watch discussed the role of NGOs in relation to the lack of education provided in Nepal. With adult literacy at only 50%, they identified that current formal education processes as unable address the urgent need.

“(A)s a matter of fact the NGOs have shown that they are more effective and efficient to provide education for all especially through non-formal education ... They (NGOs) are required to go where the government is not adequately reaching and the areas where the government has not paid adequate attention. Their objective is not to substitute the government but to show the example of service to draw attention of the responsible agencies and to help the local people to be self-reliant.” (Literacy Watch Bulletin, 2000:2).

There have been numerous international studies as to the role of the NGO sector in partnering with government in the provision of education for people with disabilities and revealing that NGOs can play a vital role in the education, training and employment of people with disabilities (Singh & Sethi, 2012:3).

It is however not financially nor, more importantly, practically viable for the provision of assistive devices to rest within the NPO sector, not least because “cost effective” donated devices are often incorrectly prescribed and typically are not appropriate for

the unique posture support needs of children – often causing more harm than good. A study of donated devices in the Eastern Cape Province of South Africa showed that 36% of donated devices are abandoned in the first 12 months due to inappropriateness, physical pain and breakdown (Duffield, 2013; and Cushman & Scherer, 1996:103). The onus therefore still lies on government departments to ensure that policies are in place to ensure quality service provision as this practice is both physically harmful and a gross waste of financial resources.

Raymond Lang tackles the role of NGOs' empowerment and social transformation for people with disabilities. He juxtaposes the Medical Model of disability (in which all disabilities are a medical problem irrespective of individual, disability or society) in which the State and particularly State based health services are the key role players in the provision of support, with the Social Model of disability (in which it is the barriers to access that define the disability) where the role of Social Services, Education and society in general are equally engaged. He calls for a networked synergistic solution (Lang, 2000:4) and recommends that NGOs work closely with government as they command the resources that provide the infrastructure for service provision (Lang, 2000:11). In addition it is through state legislation that barriers to other resources such as State education, employment and other opportunities are overcome. While the concerns documented in relation to dependency on the State remain, the State has a vital role to play in ensuring an inclusive life for all.

Creating social impact requires a holistic perspective which takes into account the multiple interconnected elements that create barriers. The scope and scale of the challenges as well as the wide variety of issues that need to be tackled (let alone the nuances of different communities) require the participation of multiple actors operating in parallel and partnership, both within the sector and with the initiatives of the government agencies.

As social enterprises consider undertaking programmes with the intention of making a social impact, it is these lessons that will stand them in good stead.

4.4 Shonaquip – An Introduction

4.4.1 *Where it all started*

Shonaquip is now an internationally acclaimed and award-winning social enterprise (World Economic Forum, 2010). Moreover, it is Africa's leading paediatric wheelchair services provider – focusing on children with moderate and severe mobility disabilities, and providing the products and services needed to prevent unnecessary, often life threatening and expensive secondary complications.

The journey of Shonaquip began when Shona McDonald's daughter, Shelly, was born with a severe mobility disability following a birth injury in 1982. When Shelly was six months old, Shona was informed that "best thing to do was to put Shelly in a home and have another baby" (McDonald, 2011). Shona was determined to provide Shelly with the same opportunities as her other daughters. The following year, Shona designed, with the help of the UCT biomedical engineering department, an electric wheelchair that offered Shelly not only mobility and independence, but also highlighted Shelly's need to communicate with others (Shona McDonald, 2016(b)).

In 1984, together with the therapists who were working with Shelly, Shona registered Interface (WHO, 2006:190), a NPO focused on supporting providing assistance with augmentative and alternative communication, an entirely unique concept in South Africa at the time.

“Through my communications work I became exposed to all the other parents in desperate situations – hugely disempowered parents, especially in black communities who’d been brought up to do what the doctor said, simply because he wore a white coat” (McDonald quoted by Wilson & Wilson, 2011).

Shona and friends also founded the Inclusive Education Resource Centre Western Cape, to provide tools and resources and lobby for inclusive education for all, following their involvement in the writing of the then Green Paper on Inclusive Education (McDonald, 2016 (b)). Shelly became one of the first children with a profound disability to enter a mainstream school and the Resource Centre was to become Inclusive Education South Africa. This was achieved in no small part due to the mobilisation of parents and volunteer professionals.

During this period Shona was continually approached to make paediatric wheelchairs for mothers she met during this outreach work. The *Empowerment Through Partnership Trust* (ETPT) was registered as an expansion of Interface in 1992 and had three projects: firstly, mobility access – raising funds for equipment for children with severe disabilities; secondly, ‘Education for All’ – disability rights advocacy and lobbying, and finally raising funds for the creation and registration of Inclusive Education Western Cape as an NPO and resource centre for inclusive education (Shonaquip funder presentation, 2009).

“It was never a formal thing, we just did it. We just started finding ways to deliver on what we knew we needed to deliver on” (McDonald quoted by Wilson and Wilson, 2011).

Shona’s experience within Interface and the Inclusive Education Resource Centre was that of frustration with donors who wanted to fund what was not relevant on the ground. More worryingly, many existing donors followed the new government’s call to streamline their donations through the National Development Agency (NDA), which lead to many of the programmes being forced to shut down (Oosthuysen, Slabbert, Coetze in video interview with McDonald, 19 August 2014).

4.4.2 Founding of the Social Enterprise

Shona was, however, determined to address the national (and indeed) regional issue of ineffectual wheelchairs for children in low resourced environments. Her experience of fundraising within ETPT made it clear that this could not be achieved in a piecemeal fashion.

“I grew sick of being messed around by trust funds. They never wanted to support what you do for more than a year because then they’d think it was time to try something else and share the money out” (Shona McDonald quoted by Wilson & Wilson, 2011).

Having spent many years attempting to reach a solution within the NPO arena, Shona realised that what was needed was a business. “Social enterprise belongs in the business arena, not the NGO space,” she is quoted as saying in Ernst & Young’s 2010 edition of *Exceptional* magazine. “We’re less exposed to the whims of backers, who will happily withdraw funding to back something more prominent. Business is simply a transparent and effective tool to drive social change.” (Shona McDonald quoted in Ernst & Young, 2010:64).

Shona, realising that the need to scale the programme required an income stream, was nevertheless determined to make no profit from disability. Shonaquip was founded in 1992 to service private clients, work with, and lobby government, civil society and the private sector to provide devices, training, community outreach, assessment and fitting services in southern Africa. From the start, Shona committed all surplus to social impact activities (McDonald, 2016(b)).

“Shonaquip sells its products at market rates in middle or upper-income communities and uses those profits to cross-subsidise products for kids in poor communities. They are also engaged in lobbying for awareness and increased government support because the use of proper chairs is important to prevent secondary health complications. Founder Shona McDonald has been the driving force behind the success of Shonaquip, and she has used the business as a tool for social transformation in South Africa” (Lengkeek 2014:15).

It should be remembered that when Shonaquip was founded, it was as a part of an ecosystem including three other entities (amongst others). Moreover, much of this work was driven by parents of children with mobility and multiple disabilities and volunteers. These three entities included:

- The Enterprise through Partnership Trust - An entity that raised funds to lobby and raise funds for other organisations;
- The Inclusive Education Resource Centre – A programme that supported parents and their children access inclusive education, assistive devices and the educational tools that families need ;
- An entity to raise awareness of augmented assisted communication (Interface).

Shonaquip was part of a fluid dynamic with these same families providing not only mobility devices and therapy equipment but also (although on a smaller scale) low resource appropriate communication devices.

Bacq & Jansen (2011) noted the importance of “the influence of the external environment on the individual, the process and the organization” (Littlewood & Holt, 2015(a)). When Shonaquip was founded in 1992, Shona was still active on the Interface Western Cape board, which had by that time gained national traction and had strong presence in the Centre for Augmentative and Alternative Communication (CAAC) at Pretoria University. Shona remained a Founder Member of this organisation until 2005. The Empowerment through Partnership Trust was founded by Shona in the same year as Shonaquip was founded as a Disabled People’s Organisation (DPO). The trust raised funds for equipment for children with severe disabilities, fundraised for other organisations, lobbied on disability rights and acted as a resource centre and adviser to government on inclusive education (ILO, 2010:16) before closing in 2009 (McDonald, 2016(b)). The Empowerment through Partnership Trust raised funds to register what became Inclusive Education Western Cape in 1994 and Shona remained a Founder Member until 2005.

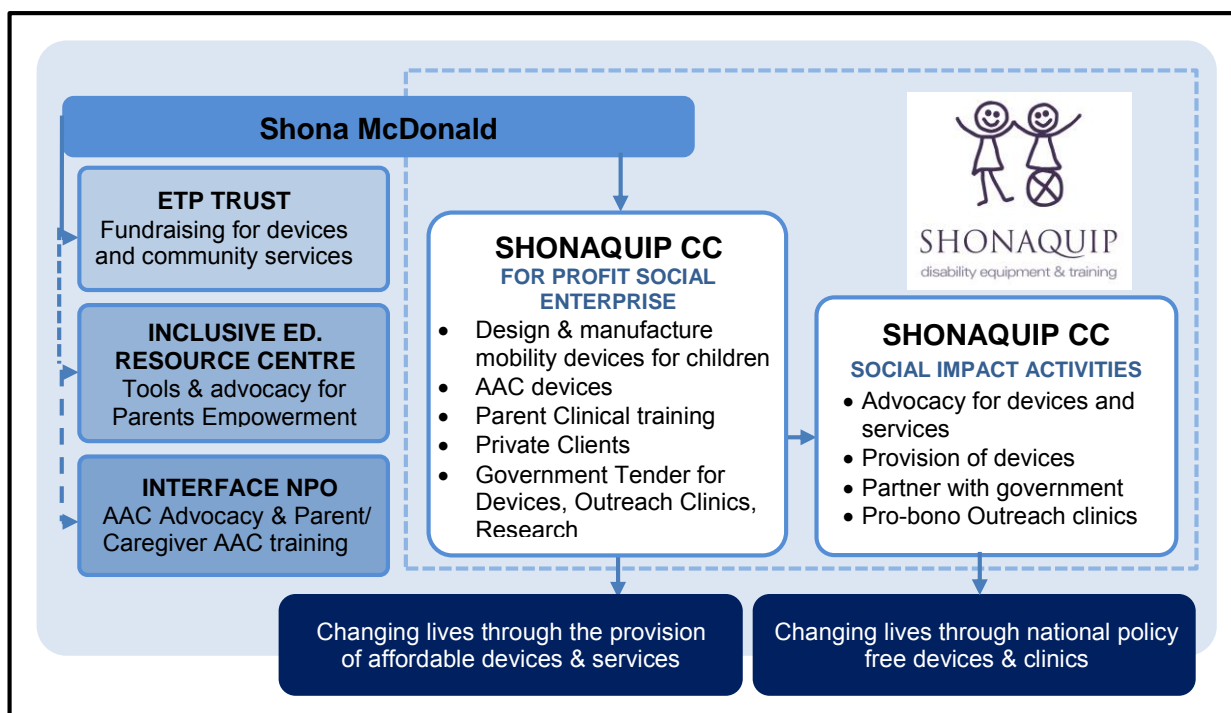


Figure 9: Shona McDonald and the Shonaquip Ecosystem 1992-2010
(Influenced by model in Schöning et al, 2012) (Source: Author's own)

The figure above (Figure 8) has been reconstructed from an evaluation of internal documents related to the period. It is important in understanding the choices made at the founding of Shonaquip as a cc that it was part of an ecosystem of other enterprises focusing on different areas necessary for children with mobility and multiple disabilities to participate in an inclusive society. While not part of the Shonaquip social enterprise, these organisations, and Shona McDonald’s participation within them, provided the context for the focus of Shonaquip. The evolution of these organisations was to have a direct impact on both the focus areas of Shonaquip as a social enterprise, and the requirements to form a multi entity hybrid.

4.4.3 Changing policy

Paediatric mobility devices and the principles of seating are still a relatively new science. Twenty years ago it was almost unknown. Shona had been working to design devices for children and met Elsje Scheffler, a physiotherapist passionate about seating adults. Together with others they worked aggressively to lobby the South African government on the vital importance of appropriate positioning and mobility devices for children and the need to develop a posture support protocol for children with mobility disabilities (Independent Living, 2007:13). This led to The National Rehabilitation Policy (DoH, 2000) and the Standardisation of Provision of Mobility Assistive Devices in South Africa, (DoH, 2003) and increased the number and range of devices on the national tender from 4 to 40 (Chang, Jackley & Saloner, 2009:7).

From 2006-2012, in a partnership designed by Shona (McDonald, 2016(a)), the Western Cape Department of Health, the Motivation Charitable Trust (represented by Motivation Africa), the Western Cape Rehabilitation Centre (WCRC) and the Empowerment through Partnership Trust (work which was later taken over by the Uhambo Foundation) were partners in developing the Basic Professional Wheelchair and Seating Services Courses (WCRC, 2011) that have now become standard training for therapists and professionals involved in posture support across South Africa and the region.

By 2008, the Standardisation of Provision of Mobility Assistive Devices had been rolled out and the training for therapists prescribing devices was in place, budgets allocated and annual turnover escalated from 19 to 25 million in one year with demand starting to exceed the production methods in place (Shonaquip, 2010:3).

As a result of significant lobbying and active engagement, not only nationally but also with the World Health Organisation, the training and accreditation of seating professions become standardised (WCRC, 2011). Although there are still significant training needs throughout South Africa, it became possible to start ensuring that therapists had access to appropriate devices and the knowledge as to prescribe.

4.4.4 Business Growth

From 1992-2010 Shonaquip grew steadily with all profits from Shonaquip being spent on the design of a wider range of devices, lobbying for national policy change and running programmes to empower parents and communities to support their children in living inclusive lives. Staff grew to include both a full time assembly factory and a clinical outreach team who were providing seating services and support through 180 government clinics, schools, care centres and institutions. Over 30% of the team consisted of people with disabilities (McDonald, 2016(b)). In 2008, Shonaquip was described by the Department of Basic Education as providing:

“[t]he most affordable modular and custom made seating supports, motorised and manual wheelchairs, standing-frames and other assistive devices and therapy equipment. Specialising in devices for children from birth to adulthood. Locally designed communication devices and switches. They also offer both professional and carer training” (Department of Basic Education, 2008:5).

Over 50% of the orders came from government with the rest of the orders consisting of 30% private clients and 20% humanitarian organisations and NGOs. Shonaquip had tenders with both the Department of Health and the Department of Education, who were purchasing equipment for schools (McDonald, 2016(b)). In line with Shona's commitment never to make profit, margins were set as low as possible to maximise public budgets.

In addition to income generated from sales of devices, in 1996 Shonaquip also received a grant from the Nelson Mandela Children's Fund (McDonald, 2016(b)) which helped to fund the design of Shonaquip's first standardised adjustable modular seating system, named in Nelson Mandela's honour, the Madiba Buggy. It was the first South African posture support wheelchair for children with cerebral palsy and can be used on uneven terrain such as sand, rocks and hilly areas.

In 2008 Shona realised that the business was overly reliant on word of mouth marketing. Funding was secured from the government's Small Business Enterprise Development Agency (SEDA). This was secured for marketing material and then a pressure mapping system to improve wheelchair prescriptions (SEDA, 2009). In 2005, Shonaquip both won the Department of Trade and Industry's (DTI) Technology Award for Best Performing Technology Intervention and received a further (DTI) SPII grant for further technical machine design (SEDA, 2009).

Shona is quoted in Rashmi Bansal's 2013 book *Follow Every Rainbow* as saying:

"I didn't know I was a social entrepreneur though, only years later when I got an award and then I said 'oh!'" (McDonald in Bansal, 2013)

From its beginnings in Shona McDonald's garage in 1992, Shonaquip developed into a profitable company employing, by 2010, 65 technicians, seamstresses and therapists (Ernst & Young, 2010:64).

This growth would not have been possible without funds available only because Shonaquip was registered as a business and not a non-profit organisation. At the same time, the demand would not have been there without the training, awareness raising and lobbying which resulted in the tender, and the outreach and empowerment work with therapists, caregivers and parents (McDonald, 2016(b)). As a social enterprise, impact growth was just as important an indicator as financial sustainability and growth.

4.4.5 Impact Growth

As a hybrid ideal, the increased sales of appropriate posture support devices meant that more children were able to access the tools that they needed to help them have inclusive lives. Shonaquip was contracted to run over 120 outreach clinics a year for the Department of Health (McDonald, 2016(b)). By 2010 it was estimated that Shonaquip had impacted more than 64 000 people through the provision of devices and outreach services (ILO 2011b:3).

The impact of the social enterprise was however more profound than is measurable by sales or numbers of clinics. The lobbying and advocacy work undertaken, plus the commitment to capacity building for those responsible for purchasing the devices through the provision of training, fundamentally changed the landscape for children

with mobility disabilities in South Africa. This was possible in part because this work was housed within a social enterprise rather than an NPO.

“Shona understood the huge advantage a company had compared with an NGO in terms of generating resources to maximize impact, in allowing independence from funders’ agendas, and responsiveness to need. Shonaquip provides a link between users, manufacturers, suppliers and Government, to ensure that users get the most appropriate wheelchair, that it is adjusted or modified to suit their needs, that the user is trained, and that there is follow up including clinical monitoring and maintenance/repair services. Through this work Shonaquip has changed attitudes towards disability in South Africa, as well as influencing Government tender requirements to make them more substantial and more in line with users’ needs” (ILO, 2010:17)

4.4.6 Emphasis on Scale and Growth – narrowing the field of focus

The need to grow the social enterprise, as well as the growth in Interface and the Inclusive Education Resource Centre resulted in Shona McDonald leaving her positions in both organisations in 2005 (McDonald, 2016(b)). The Enterprise through Partnership Trust became largely dormant in 2007 with the completion of the projects for which it was founded. This included: Inclusive Education Western Cape registering as an independent organisation as well as the need for devices to be funded as the tender rolled out. The development of training (mentioned above) continued to be funded through the Enterprise Through Partnership Trust until 2009 when WUFSA, The Wheelchair Users Forum South Africa, (Independent Living, 2007:42) was founded to provide a forum for wheelchair users and their families as well as an independent funding mechanism for research. The forum was a project of the Enterprise through Partnership Trust. Sadly it could not be sustained (Shonaquip, 2014:1) and the last of the ecosystem of organisations surrounding the social enterprise ended.

It is important to note that through this decision, and by focusing more on mobility disabilities and the need for posture support provision, Shonaquip was able to respond to the demand created by the rollout of the National Rehabilitation Policy in 2000 and the Standardisation of Provision of Mobility Assistive Devices in South Africa in 2003.

Shonaquip as a whole became more focused on scaling the delivery of assistive devices as the demand continued to grow. Community Outreach work continued to be a focus of the social enterprise and Shonaquip conducted, privately and under tender, over 180 outreach clinics per year (McDonald, 2016(b)). In addition, and as part of the ongoing need to advocate for the rights to inclusive education for children with disabilities, Shonaquip was lobbied for, and was contracted to deliver, a survey on special needs and full service schools. This survey was conducted with partner organisations and Shonaquip focused on the rehabilitation, accessibility and assistive device needs of children with mobility disabilities.

Production continued to increase dramatically as the new policies were rolled out. In 2004, production moved to small factory in Ottery with nine assembly staff and moved again in 2007 to a larger factory in Wynberg with 27 members of staff (Shonaquip, 2016(a):17).

The World Health Guidelines on the Provision of Manual Wheelchairs in Less Resourced Settings for which Shona was a peer reviewer was released in 2008. Working together with Elsje Scheffler, this international framework helped to secure and propel the rollout of appropriate assistive devices. This was born out over the period 2005/6 to 2010/11, with production increasing from 1 200 units to 6 000 units in the 2010 financial year (by the end of February 2010), a five-fold increase over five years (Shonaquip, 2011:14).

4.4.7 Challenges of Scale and Growth

Shona's passion had also spread to ensuring the development of a regional and international solution to the posture support needs of children and by 2008 Shona was not only an advisor to the South African National Government, but also a World Health Organisation contributor and peer reviewer of the WHO training manuals on guidelines on the provision of manual wheelchairs in less resourced settings (McDonald, 2016(b)). By 2010, Shonaquip was offering 80 variations of devices for various terrains (Ernst & Young, 2010:64).

With growth came the need to scale and improve production methods. Unfortunately support from commercial investors was not as forthcoming.

“Get labelled a “social entrepreneur” and the investment world may dismiss you as a “do-gooder,” not a businessperson. “Start asking for millions in overdrafts or growth capital and they panic,” she says. It’s not surprising. While a social enterprise is driven by positive change, their bank will worry more about the bottom line. “We don’t see ourselves as a high-powered business,” says McDonald. “We’re a social development organization. I’m basically a renegade. And most banks don’t think like we do.”” (McDonald in Ernst & Young, 2010:64).

4.4.8 Limitations as a result of being a social enterprise

As early as 2009, Shona publically highlighted some of the challenges that Shonaquip faced as a social enterprise, including the difficulty of securing bank loans, equity or venture capital as social enterprises are deemed to be too risky and not profitable enough, because all profits are reinvested in growing impact. Moreover, Shonaquip cannot accept donations and Shonaquip doesn't qualify for, nor could it provide, tax benefits for donors as it is not an NGO (ILO, 2010:17). Shona noted that social enterprises sit in a strange place because:

“We are businesses; there is no doubt about that. We compete with high-profit companies and with charity-based organizations that are turning themselves into businesses but (who) are funded, subsidized and supported externally” (ILO, 2010:17).

These challenges were to prove the initial impetus of restructuring as a multi organisational hybrid, but were also to predict a number of challenges that were to come.

As Shona noted in her presentation at the National Conference on the Enabling Environment for Social Enterprise Development in South Africa, in October 2009:

Shonaquip is now finding that to maximize impact, the closed corporation is now proving insufficient. Shona noted that the business model has been wonderful in driving change, but to keep the business sustainable it must become more competitive, which means no longer providing free services, equipment and training to those who cannot pay or do not have access to grants. This portion of the services will need to be paid for using external funds raised through the foundation (ILO, 2010:17).

Having recognised the need for an alternative income stream to support the community outreach work, Shona started the process of registering Shonaquip as a Pty Ltd and registering Uhambo, the Shonaquip Foundation. This was the start of Shonaquip as a multiple entity hybrid.

4.5 Shonaquip and Uhambo: a Multi-Organisational Hybrid

As will be shown, the purpose of the entities within the Shonaquip hybrid social enterprise has evolved over time. These internal and external rationales not only shaped the organisations, but also informed what were to be the most appropriate legal structures.

4.5.1 *Diversifying Income Streams*

Established in 2010, Uhambo Foundation was first conceptualised as “The Shonaquip Foundation” (Shonaquip, 2009:1), and was initially registered as “Uhambo the Shonaquip Foundation” (ILO 2011). In order to secure the link between Shonaquip and Uhambo Foundation (Uhambo), Shona made the decision to gift 26.4% of her Shonaquip shares to Uhambo, ensuring that Shonaquip would always maintain its community impact values (Ker, 2012:25).

Recollecting that Uhambo was originally conceived as a foundation is important, and Uhambo currently bears the legacy of this in its name although not in its actions. A foundation (as discussed in Chapter 2 under foundational philanthropy) has no separate legal framework although countries such as the USA classify all 501(K) organisations as either private foundations or public charities (Internal Revenue Service, 2016). It is generally understood that foundations help other organisations such as NGOs, educational institutions and other causes to help the public. Canada goes even further and differentiates between Private Foundations, Public Foundations and Charitable Organisations; and makes the clear distinction that Foundations are grant giving organisations, and charitable organisations primarily carry out their own activities and do not make grants (Canada Revenue Service, 2016).

In the case of Shonaquip and Uhambo, projects funded by funds raised through Uhambo were initially conceptualised as being delivered by the Shonaquip team as they had been before. This, as will be documented below, has dramatically shifted over time to a position where Uhambo is in fact a programme delivery vehicle in its own right with staff of its own.

Repair technician training had been an informal part of Shonaquip’s activities for many years (McDonald, 2016(b)). Enterprise Development was identified as a key opportunity for grant funding and would leverage the existing wheelchair repair training undertaken informally (Shonaquip, 2009). In addition, it was hoped (very much as a

secondary benefit) that, with more than 25% black ownership, Shonaquip would be able to access funding that was not available to 100% white owned entities (McDonald, 2016(b)).

The registration of Uhambo Foundation formed a turning point for the social enterprise as it was the first attempt to diversify income streams in order to deliver on social impact. This may have been something that the social enterprise was pushed into due to external causes but, as will be explored, this has resulted in a wide range of strategic opportunities as well as unexpected hurdles.

On registration the primary focus was clinical – including clinical advocacy for devices and support, clinical improvements for product development and research. Uhambo the Shonaquip Foundation's Mission as defined in an online profile written in 2010 was:

“To enhance the lives of more people living with disabilities by:

- *Increasing awareness of and access to appropriate and innovative mobility and seating solutions*
- *Facilitating the access to holistic client focused support services*
- *Driving policy change and research*
- *Advocating for and building an inclusive and empowered society for people living with disabilities”* (Trickle Out Project, 2015).

The community upliftment focus was on: advocacy, provision of assistive devices, services and training, and referral networks, as well as enterprise development and job creation for wheelchair users and their families (Shonaquip 2009).

Uhambo USA was founded at the same time as a fundraising vehicle for the work of Uhambo Foundation in South Africa, which in turn would fundraise for the delivery of programmes by Shonaquip staff.

The model (Figure 9) below shows the three entities and the intended porous relationship between them as a hybrid social enterprise delivering programmes that had previously been delivered only by Shonaquip as a stand-alone organisation. It is important to note that Shona crossed both organisations and helped to personally ensure the united vision.

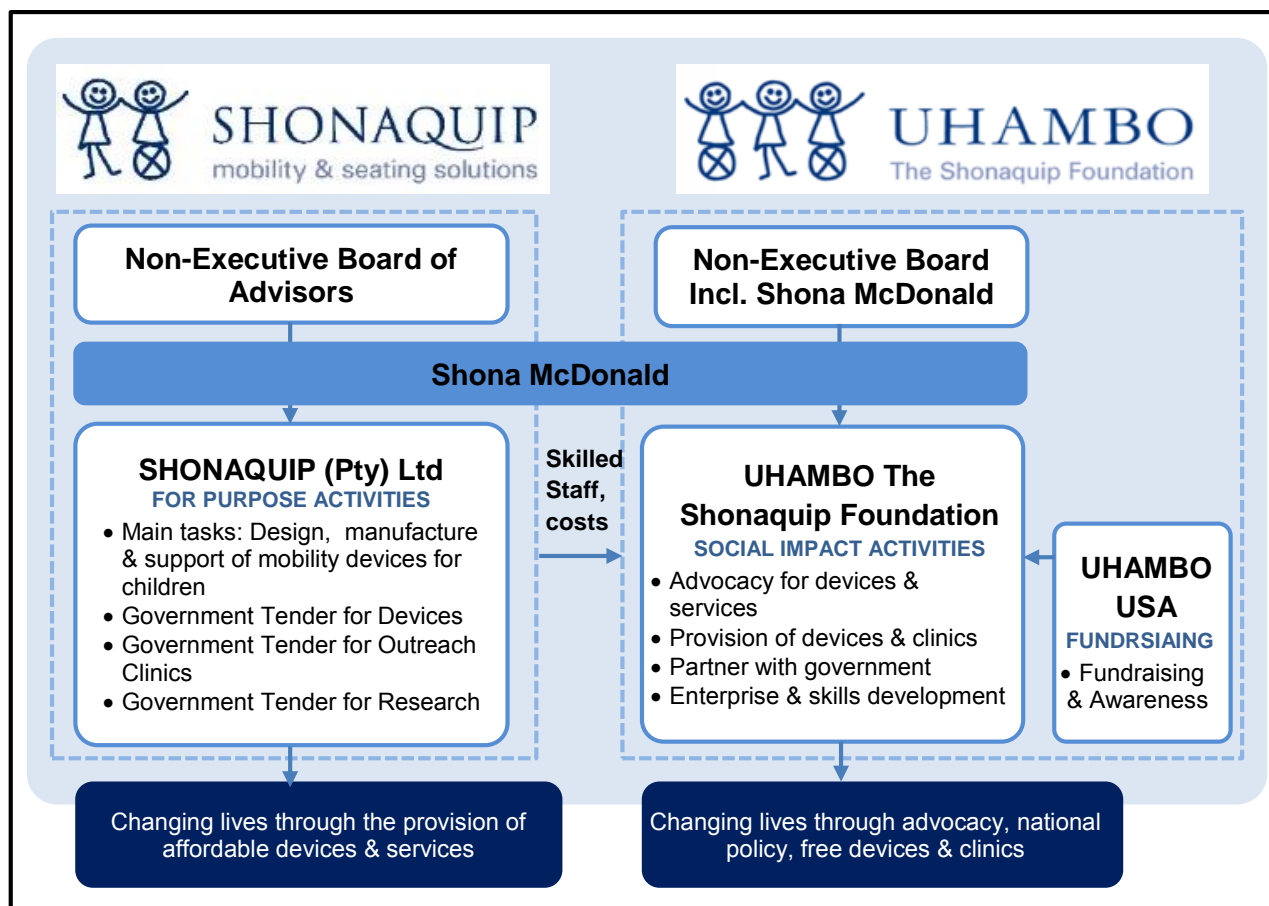


Figure 10: The Founding of Uhambo the Shonaquip Foundation in 2010 and registration of Shonaquip as a Pty Ltd (Source: Author's own)

Shortly after Uhambo the Shonaquip Foundation was registered in March 2010, the looming financial contraction arrived. At the same time, there were significant personal issues which resulted in Shona not being able to divide her focus between the two organisations. It should be noted that strong leadership is often identified as one of the keys to preventing mission drift and maintaining the complex vision of a hybrid social enterprise (Battilana, Lee, Walker & Dorsey, 2012; Harris, 2011; Below & Tripp, 2010). The timing of these events escalated the challenges faced.

4.5.2 Shonaquip – Financial Contraction

Shonaquip had originally been registered as a closed corporation with Shona as the only owner. With 65% year-on-year growth, and moving the factory twice to accommodate the increasing demand, Shona had realised she needed support to take the business to the next level. "I was also under pressure from many people – such as bank managers – to bring in professionals." (McDonald in Bansal, 2013).

In 2010 Shonaquip was converted to a Private Company (Pty) Limited under the Companies Act No. 71 of 2008 in conjunction with amendments to the Close Corporations Act No. 69 of 1984 and shares were transferred to the newly registered Uhambo, the Shonaquip Foundation. The two entities had separate formal boards of directors with Shona as the link between the two entities.

At this point, Shonaquip became a multi entity hybrid social enterprise (referred to as Shonaquip or Shonaquip the Social Enterprise for clarity) consisting of Shonaquip (Pty) Ltd and Uhambo the Shonaquip Foundation.

In 2010, two things happened in South Africa: The football World Cup, which caused celebration and jubilation, and at the same time government assistive devices' budgets (along with many others) were cut in order to fund the infrastructure for the World Cup, (Shonaquip, 2011:8). The situation was naturally exacerbated by a global economic downturn. For three months to November 2010 almost no orders were placed compared to 9.5 million for the same period in 2009 (Shonaquip, 2011:6). The budget cuts would have a significant impact on Shonaquip. What was not anticipated was that the budgets would not bounce back to 2009 levels and indeed orders did not return to pre-crisis levels until 2015.

Shonaquip has always maintained limited profit margins in line with a social enterprise pricing structure being driven by the desire to ensure that as many children as possible received devices. In addition all excess profits, as is the case with all social enterprises, had been spent on social impact. This meant that there were limited reserves within the organisation to cope with this downturn. Moreover, significant funds had been committed to scale production and were invested in stock, warehousing and production staff.

Over the course of the next two years Shonaquip faced a significant financial crisis and the staff was reduced by nearly 50% (Shonaquip, 2011:8). This was exacerbated by the challenges commonly faced by social enterprises to raise funds as a result of lack of understanding of the business model and perceived risks of investing in an organisation not designed to generate profit (McDonald, 2016(b)).

4.5.3 2011-2012 Finding Funding & Keeping Focus: The Challenges of a Social Enterprise

For Shonaquip these sudden, unexpected cuts were devastating. Factory staff were permanent employees and stock had been ordered in line with expected demand. Cash flow plummeted, loans were taken and Shonaquip's voluntary board of advisors regrouped (McDonald, 2016(a)). Key advisory board members also took on positions that required that they relinquish board membership. Shona herself was dealing with a personal matter and not able to focus her full attention on maintaining her vision (Bansal, 2013). The decisions, documented below, over this period were, in the advisory boards' opinion, in the best interest of the company. Their main focus was to preserve the financial integrity of the company, which led to scaling down the social impact activities together with a dramatic reduction in costs.

It should be remembered that splitting Shonaquip into a for-purpose entity and a for-profit company was not driven by a decision to scale nor by a strategic decision to split activities. The split was driven purely by the need to secure the social impact, advocacy and community work that had always been undertaken by Shonaquip and to protect the vision of the social enterprise from being co-opted by the new commercial focus being forced on the organisation by banks and investors (McDonald, 2016(b)). In order to ensure this, an NPO needed to exist (ILO, 2010:17).

Having foreseen the need to secure additional income in 2009 (ILO, 2010:17), Shona had already registered Uhambo the Shonaquip Foundation in 2010 to maintain the “un-profitable objectives” (McDonald, 2016(a)) and to ensure an income stream for the policy, advocacy and community work that she felt was an integral part both of her vision and for sustainable change.

An international investor was approached and a due diligence process initiated which included the funding of a one year professional volunteer to support the development of systems to bring Shonaquip in line prior to investment. The board and another angel investor recommended the appointment of a CEO and Shona was advised to be more hands off in the business operations (McDonald, 2016(b)).

“Shona took their advice and brought in ‘real business people’ in 2010. But that’s when things started going terribly, terribly wrong. The people who came in had business skills but no understanding of the purpose or mission of the company (Bansal, 2013).

A new CEO was brought in together with an international “volunteer” funded by the potential investor (Shonaquip, 2011:9) with a mandate to turn Shonaquip into a “real” social business: one that made financial profit (McDonald, 2016(b)). This shift was linked at the time to the emergence of social enterprise theories out of business schools forgetting their civil society organisational history. An example of this was the founding of the Bertha Centre for Social Innovation and Entrepreneurship at the UCT Graduate School of Business in 2011 (University of Cape Town, Graduate School of Business, 2016).

The due diligence for the potential investor took nearly a year, during which time the organisation struggled to clarify how to maintain the vision in light of the cash flow crisis. It is interesting to note that in the 2011 International Labour Organisation Case Study, the new CEO, when defining “lessons learned”, is quoted as saying:

“It is important to be aware of “founder’s syndrome” – the inability of the founder to hand over day-to-day control of the social enterprise. As the need for systems and processes increase, strong management needs to be brought in to allow the founder to focus again on expansion (Nambiar, 2016:3).

The board advised a refocus on financial sustainability and that all policy, advocacy and community activities be cancelled in order to secure the financial status of the business (McDonald, 2016(b)). This was done in ignorance of the fact that it was this education and advocacy for appropriate seating that drove the demand for devices on tender. In addition, the clinical services which were key to ensuring that children were appropriately seated – were re-evaluated.

In part due to the social enterprise nature of Shonaquip, and concerned about the financial future of the organisation, one of the entities that had already provided a loan requested an independent Chairperson of the Board, who was tasked with appointing a GM (Shonaquip, 2011:15).

Shona was however determined to maintain the social impact activities of the social enterprise and, in addition to commercial loans, loaned the business personal funds and, separately, also personally funded some of the social impact activities. Figure 10 below demonstrates the organisational structure that resulted and the isolation of both Shona and the vision for a united social enterprise, as well as how these elements were maintained over this period.

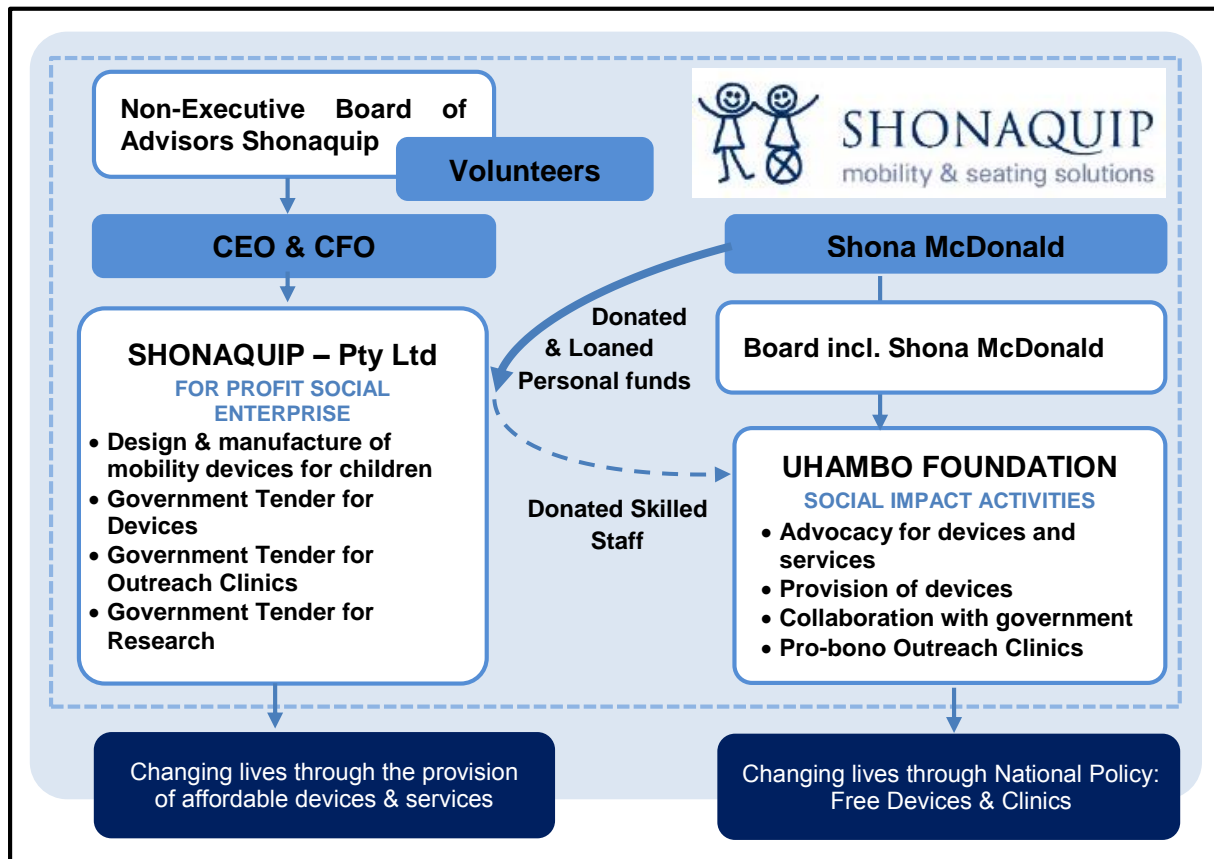


Figure 11: Financial Crisis: Shonaquip (Pty) Ltd and Uhambo the Shonaquip Foundation 2011 (Source: Author's own)

Just weeks before the investment agreement was due to be signed, the CEO made the decision to emigrate (McDonald, 2016(b)) and the investment was placed on hold until an alternative, and approved, management structure was in place. The ICAT volunteer previously funded by the potential investor was appointed as CFO and one of the Board Members was appointed as CEO (McDonald, 2016(b)). The newly appointed management staff then facilitated the retrenchments of a number of key members of staff over this period in order to structure a team who shared a vision of profitability in line with the potential funder requirements (Shonaquip, 2011, 14).

The departure of staff who shared the original vision had a knock-on impact, not only on the internal mission drift that started almost immediately, but also on the time it has taken to reunite the entities since 2015 (McDonald, 2016(a)).

4.5.4 2011-2013 Perceptions of Conflicts of Interest of the Social Enterprise Structure

Uhambo USA was founded as a “friends of” fund raising vehicle for the work delivered by Uhambo Foundation in Southern Africa (McDonald, 2016(b)). The Uhambo USA Board either did not understand hybrid social enterprise, or were not confident in the model, and felt it was a conflict of interest to fund the provision of wheelchairs and other devices. This concern resulted from the fact that without a clear separation between the two entities, raising funds to purchase devices through Shonaquip would be seen as illicitly subsidising the business – as opposed to delivering on the social purpose. As a result, Uhambo USA was excluded from fundraising for devices.

In late 2011, Uhambo the Shonaquip Foundation began an 18 month process to apply for large scale National Lottery funding. Unfortunately, understanding of social enterprises remained low, and in 2013 this was rejected as it was felt that Uhambo was “largely the CSI component of Shonaquip business”. Their evidence to this effect was that Shona McDonald was a board member of Uhambo Foundation; secondly that Shona was the owner of Shonaquip which in their opinion constituted a conflict of interest and poor corporate governance; and finally that Uhambo was called “the Shonaquip Foundation” (National Lotteries Board, 2013).

This was a deeply challenging time for the team and founder, with the ongoing financial challenges within Shonaquip (Pty) Ltd exacerbated by pressure from investors and financiers to keep the two organisations at arms-length (Shona McDonald interviewed by Oosthuysen, Slabbert, Coetze, 2014).

In the hope that this would resolve the Lottery Board’s (and theoretically other funders’) concerns, and enable the organisation to access the funding it needed to continue its social impact work, Shona resigned from the board of Uhambo Foundation at the end of 2013. This period highlights the challenges of social enterprises, be they companies or NPOs, to secure support as a result of a lack of understanding of the model (ILO, 2010).

4.5.5 2012-2014 Maintain Focus within Shonaquip

By the beginning of 2012, with limited improvements in government ordering cycles, and the potential investment cancelled, Shonaquip had still not emerged out of its financial crisis. Shona McDonald herself had however finalised her personal matters and was once again able to commit her focus to driving the social enterprise as a vehicle of social change. With the potential investor no longer involved, there was no need to acquiesce to its pre-investment requirements, and Shona took back the mantle of CEO. With Shonaquip still facing a potentially dire financial position, the personnel appointed to focus entirely on streamlining profitability left the organisation and Shonaquip returned to its roots (McDonald, 2016(b)).

With the return of Shona as CEO of Shonaquip and the appointment of a new CFO, Shonaquip refocused its energies on securing financial sustainability through multiple income streams. Clinical advocacy was reinitiated and proactive regional training of therapists and community rehabilitation workers was undertaken (McDonald, 2016(b)).

2013 and 2014 were lean years at Shonaquip and in 2014 Elma Philanthropies was approached to undertake its first ever social enterprise loan – a loan that was cleared at the beginning of 2015 and secured a financial partnership with an organisation committed not only to the financial bottom line, but also to the vision of the organisation to deliver social impact (Elma Philanthropies, 2016).

At the same time, Shonaquip managed to bankroll almost all of the costs associated with Uhambo, the Shonaquip Foundation (the three staff members formally were employees of Shonaquip); and to fund the development of what became the Ndinogona Programme which trains caregivers, particularly those in centres, in inclusive Early Childhood Development which was to become a major programme of the Uhambo Foundation (Uhambo Foundation, 2016(c)).

Despite the return of Shona, her focus was required to remain largely on sustaining the commercial entity to ensure the production of devices and services. In addition, without her presence on the Board of Uhambo, the Shonaquip Foundation, the two organisations started to diverge from a united vision and common purpose (McDonald, 2016(a)). This was the beginning of the mission drift so common within multi-entity hybrid social enterprises (Ebrahim, Battilana & Mai, 2014:82).

4.5.6 2012-2014 Mission Drift and Reformation

Although Uhambo the Shonaquip Foundation was officially registered in 2010, the focus was on resolving the financial challenges within Shonaquip, and Uhambo was slow to start. With Shona less involved in its organisational growth, Uhambo, the Shonaquip Foundation started to drift from the original mission. In light of the challenges with the National Lottery Grant, Uhambo also changed its name from “Uhambo, the Shonaquip Foundation” to the “Uhambo Foundation” creating more of an arm’s length separation between the two entities.

The initial mandate of the Uhambo Foundation was advocacy; provision of assistive devices; services and training; referral networks; enterprise development; and job creation for wheelchair users and their families (Shonaquip 2009).

In 2013 Uhambo Foundation, in partnership with and funded by the Department of Social Development Western Cape, undertook a door to door survey of over 15 000 households, identifying children with disabilities not accessing services and highlighting the barriers to access (We Can Change the World, 2013). This formed the basis of the direction shift between 2012 and 2015.

The survey resulted in a number of key changes to the focus of the Uhambo Foundation. Firstly, the Uhambo Foundation was introduced to children with a vast range of disabilities. The survey also identified significant challenges to supporting families and children’s referral to organisations and local services. A number of what became key programmes emerged from these surveys. Secondly, the Uhambo Foundation designed the Uniform Referral Pathway Protocol (URP) in conjunction with the Department of Social Development. This tool focuses on all children with disabilities and widened the scale of the work that Uhambo Foundation undertakes to include building the capacity of service providers who support children with disabilities. Thirdly, Uhambo Foundation extended its mandate from children with mobility

disabilities to all children with disabilities. Finally, Uhambo Foundation identified a significant need for capacity to deliver inclusive ECD programmes, which led to the development of the award winning Ndinogona Programme. The URP, Stakeholder Capacity and Ndinogona remain core functions of Uhambo to date.

While the URP and Stakeholder Capacity programmes maintain components of advocacy, this is fundamentally different to empowering parents. Enterprise development and job creation programmes were shelved and providing assistive devices and training became a lower priority.

The figure below (Figure 11) shows the less porous relationship between Shonaquip and the Uhambo Foundation as well as the shift in programme delivery area. As will be demonstrated (in Figures 15 and 16 below), this leaves gaps in a holistic delivery of programmes and services for children with mobility and multiple disabilities.

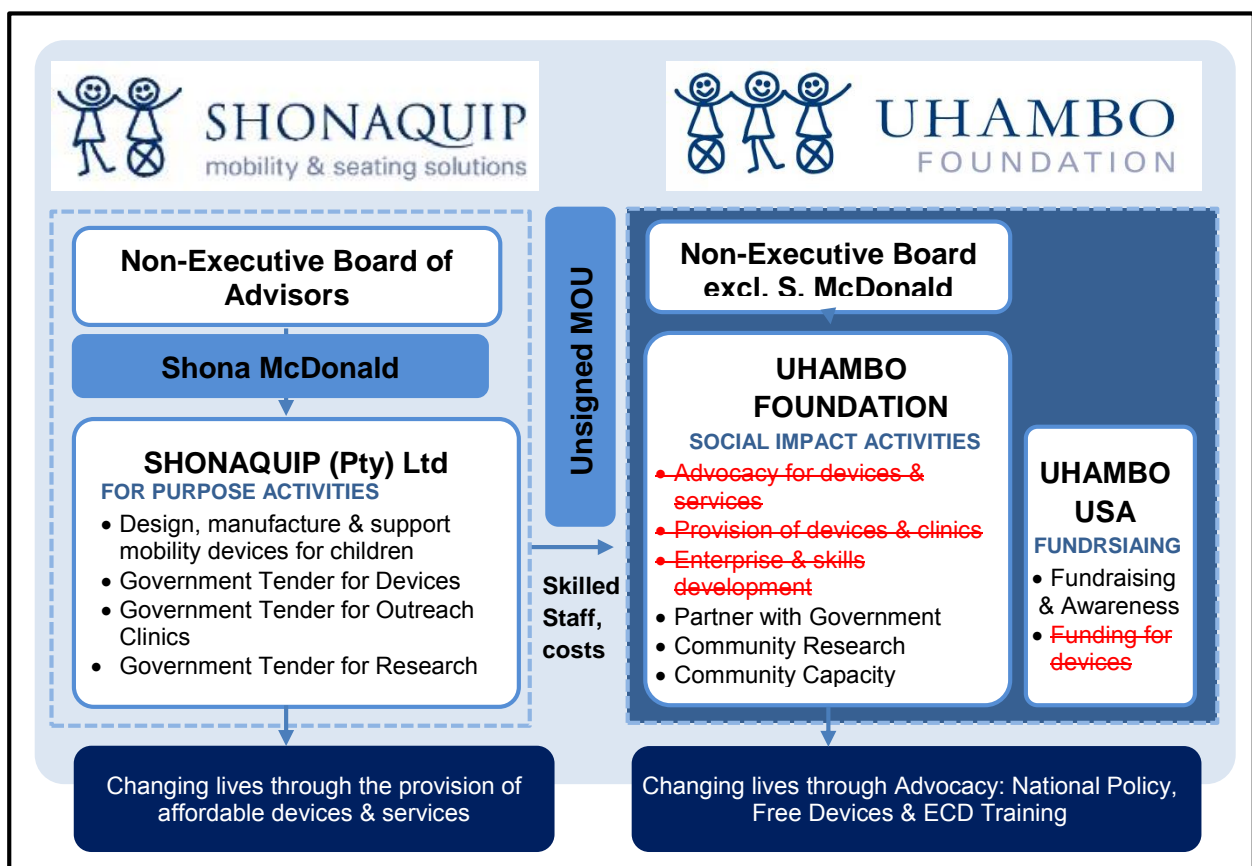


Figure 12: Mission Drift: Shonaquip (Pty) Ltd and Uhambo Foundation in 2013 demonstrating the shift in activities (Source: Author's own)

The shift in focus towards ECD access and community research does however harken back to the early days of the initial social enterprise ecosystem when Shona and Interface were actively involved in training parents and caregivers in day care centres how to engage with children with disabilities. On reflection it is clear that the lived experience of need experienced by Shona in her personal journey were still the needs faced by the families that Uhambo Foundation was in touch with.

4.5.7 Return to Focus: The Necessity for Ongoing Advocacy & Stakeholder Empowerment

During 2013 and 2014, Shonaquip focused on clinical growth – returning to its roots. The shift back to advocacy, raising awareness of the impacts of good seating within the district and regional hospitals as a means of increasing demand, caused a dramatic knock-on effect on the ordering cycles. With therapists ordering a wider range of devices for their clients, and empowered by their training, demand for posture support devices increased.

With government budget cycles, the results of this were seen during the 2015-2016 financial year when sales increased by 28% from R23,281,709 in March 2015 to R29,760,428 in March 2016 (Shonaquip, 2016(b):7) and Shonaquip returned for the first time to order levels similar to those of 2009/10 (Shonaquip, 2011:6).

Uhambo Foundation's advocacy in relation to barriers to access through the Western Cape Department of Social Development (DSD) Surveys in 2013 and 2015 and the development and rollout of the URP for DSD resulted in a growing profile for the organisation. The Ndinogona ECD programme started to gain both international and national prominence as part of a holistic approach to community capacity building. This prominence brought with it additional support and donations.

By 2014, Uhambo Foundation was operating almost entirely independently of Shonaquip and, with the added financial security of larger programme funding the idea of moving into a separate building was raised within the Uhambo team.

By the end of 2014, with light at the end of the tunnel for Shonaquip financially, focus shifted once again to uniting the two entities within the hybrid. By this time, the Uhambo Foundation was now financially independent (Uhambo Foundation, 2015) – having secured a number of corporate donations as well as support from the Department of Social Development – and was able to cover all its own operational funds, severing the perceived dependency on Shonaquip (Shonaquip, 2015).

Just four years after founding, it was clear that the growth of the Uhambo Foundation's programmes and the loss of key joint personnel had led to both organisations working in silos, diluting the impact of a united approach and the ability to support scaling programmes.

As documented in Chapter 2, mission drift between two entities in a multi-organisational structure is a significant risk in hybrid social enterprises, as shifting focus areas and external influences may lead to one or other party drifting in mission away from the other (Battilana, Lee, Walker & Dorsey, 2012:51; Ebrahim, Battilana & Mai, 2014:82; Smith, Gonin & Besharov, 2013:414; and PwC, 2014:3).

During the course of 2014, attempts were made to resolve this through drafting formal Memorandums of Agreement between the two organisations. A key realisation was the need for an additional change driver within the organisation committed to the vision and purpose of the united social enterprise. As had already been demonstrated during the challenging period following 2010, placing this responsibility solely on the founding social entrepreneur is a significant risk. It was further identified that there were not sufficient personnel to drive the joint vision and a Chief Operating Officer was sought

to assist Shona in driving this vision (McDonald, 2016(b)). The researcher was appointed in this position at the beginning of 2015.

4.5.8 2015: Reunited ... A Whole with Two Halves

The role of the Shonaquip Chief Operating Officer is not a traditional one. As the first role other than the founder to cross both organisations, the mandate was to bring both organisations together around a united vision and to streamline and increase holistic, social enterprise impact (Below & Tripp, 2010).

With the untimely passing of the Chairperson of the Uhambo Foundation Board of Directors and the departure of the General Manager in early 2015, Uhambo Foundation undertook extensive internal strategy sessions led by the researcher in her position as the social enterprise Chief Operating Officer and, temporarily, General Manager of Uhambo Foundation (a dual role that the author has lasted to date).

One of the initial activities was to regain confidence in the social enterprise, and to return to a holistic programme delivery approach including both clinical support and community empowerment. This also included the decision to build public confidence in the social enterprise and to rebrand the social enterprise as a unit with two halves. To this end, Uhambo Foundation was rebranded as Uhambo.

This new model, and the renewed fluidity between the entities, is illustrated below in Figure 12.

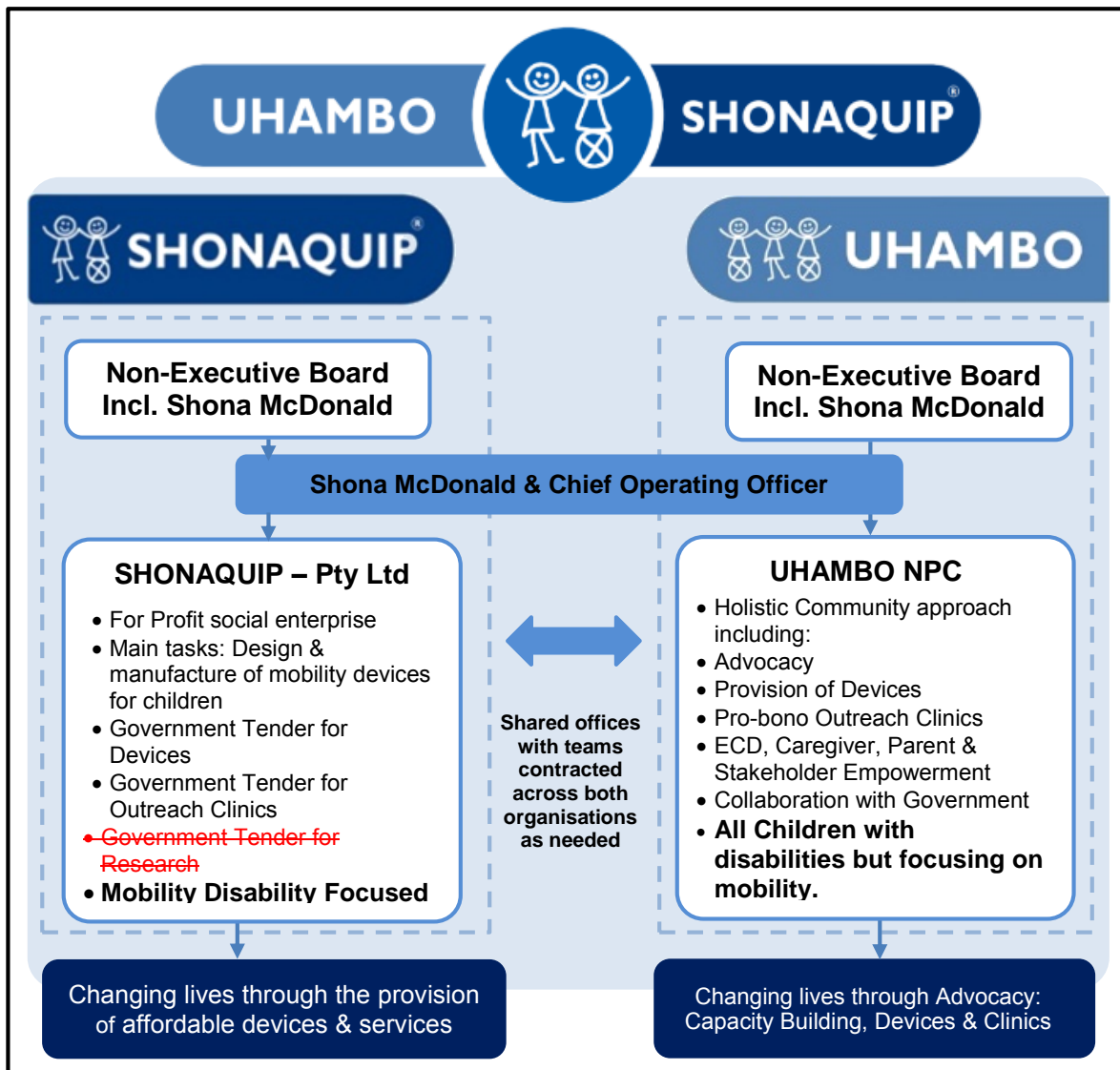


Figure 13: Reunification: Shonaquip and Uhambo 2015 (Source: Author's own)

Although the initial vision had been to register two organisations to deliver on the activities of Shonaquip – one commercial and the other to leverage grant funding – what was realised during reflection on the evolution of the organisations between 2010 and 2015 was that there was an opportunity to revisit the original model by looking at the social definition of disability.

Uhambo's shift in focus as a result of the lived experience of its staff has resulted in a wonderfully symbiotic, but parallel, focus for the two organisations in the hybrid. Although this mission drift had resulted in the beginnings of organisational separation by 2014, with the addition of a joint Chief Operating Officer in early 2015 it was realised that all the activities currently being undertaken by the two organisations had indeed always been part of the holistic approach adopted when Shonaquip as a closed corporation and part of a multi-organisational ecosystem. The shift in focus of the team within Uhambo had resulted from the vacuum left when other entities had either closed down or shifted their own mandates.

The advantage of having the two organisations, therefore, not only goes far beyond diversification of income, but also enables them to keep two different eyes (one medical, one social) on the ball, providing a greater depth of focus.

It is through the two different organisations that the social enterprise is able to ensure the balance needed to address both halves of a whole which delivers on the united vision of an inclusive society for all children with disabilities. This can best be illustrated through mapping the focus of the programmes of the two organisations against the WHO ICF Classification, as documented earlier in this chapter.

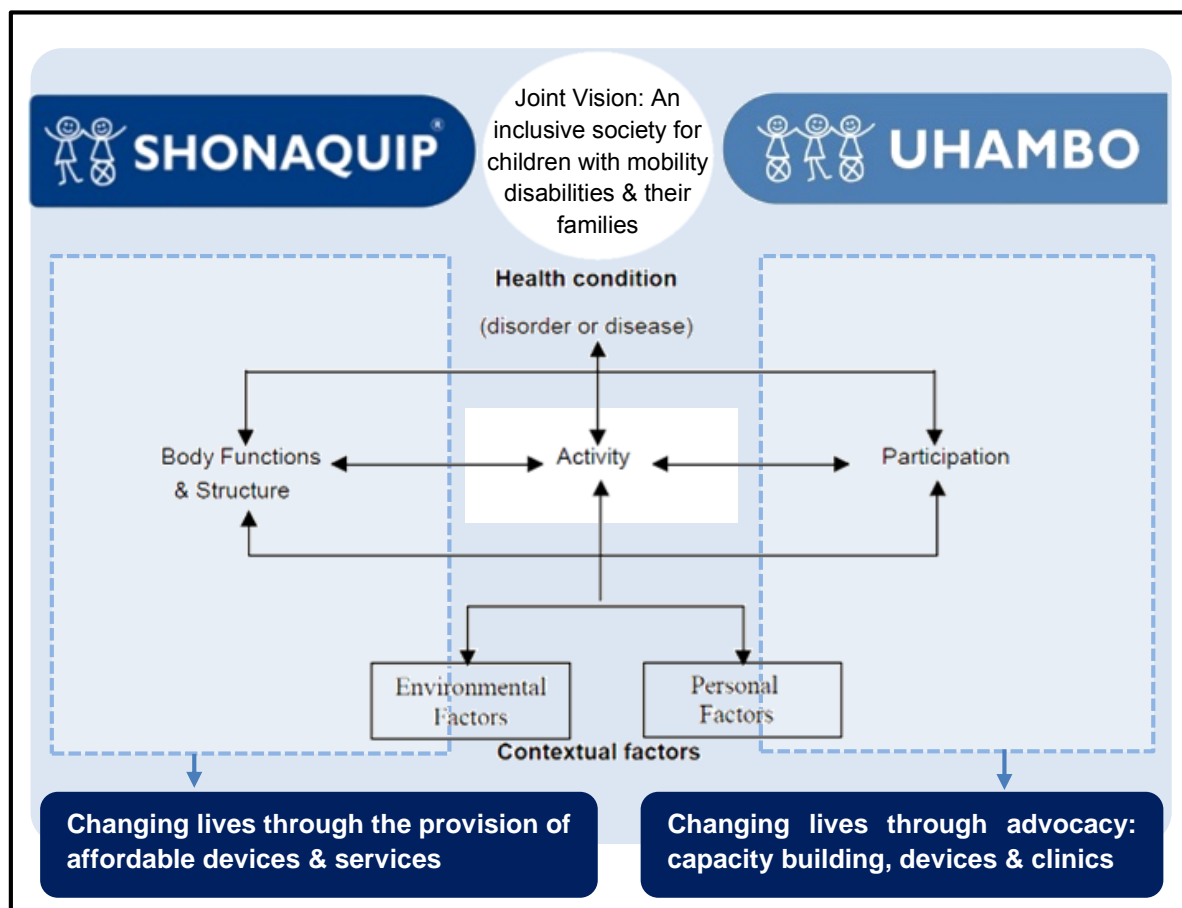


Figure 14: Aligning the focus areas of Shonaquip and Uhambo with the ICF Classification (WHO, 2001) (Source: Author's own)

In 2015, as is demonstrated in Figure 14, Uhambo recommitted to a “blue line” of mobility in the work that is undertaken. As a capacity building organisation, however, and one committed to societal shift to develop an inclusive society for children with disabilities, Uhambo obviously continues to work with ECD Centres that wish to become inclusive of all children with disabilities. Disability sensitisation workshops and parent empowerment programmes clearly also include parents of children with all disabilities. It was realised in 2015 that a balance is possible between sector specific knowledge (in this case for mobility disability) and community capacitating for an inclusive society for children with disabilities. Shonaquip, as a hybrid social enterprise, treads a delicate line as it seeks to break down barriers for all.

It is this intention – to create a social impact for children with mobility disabilities and their families and to provide them with the opportunity to live included lives – that initially led Shona to be involved within a wide ranging ecosystem of organisations when she registered Shonaquip in 1992.

4.5.9 *Shonaquip as a Social Impact Social Enterprise*

As discussed through the example of Literacy Watch above, one of the challenges of social impact programmes is the multifaceted and interconnected nature of the challenges faced by the target beneficiaries (Literacy Watch Bulletin, 2000 and Lang, 2000). It is here, of course, that the strengths of civil society lie over and above the work undertaken by the public sector. As social enterprises attempt to deliver on social impact, it is vital that these lessons are built upon. In order to impact on the vision for an inclusive society for children with disabilities, a holistic approach is needed.



**Figure 15: The support ecosystem for children with mobility disabilities
(Designed by S. Driver-Jowitt for Shonaquip)**

Figure 14 was created within the social enterprise to clarify and documents the wide range of stakeholders and focus areas involved in ensuring that children with mobility disabilities are able to live inclusive lives.

The Shonaquip social enterprise's programmes address the wide range of barriers to access for children across the spectrum of disabilities and their families, as well as the specific clinical needs of children with mobility disabilities. A key value of both organisations, and Shonaquip the Social Enterprise, is to remember that at the heart of all they do is always a child and a family. This value impacts on their work not only

in terms of programme delivery but also in relation to the vital importance of advocacy and policy support.

4.5.10 Identifying the gaps in the Uhambo Shonaquip Holistic Approach

A key component of this holistic approach is to work with partners across the ecosystem to deliver programmes that build on each other's strengths and are entrenched in the communities that the social enterprise partners with.

Shonaquip has gone through significant challenges as a social enterprise to remain true to its holistic approach of providing the tools, resources and capacity building for an inclusive society for children with disabilities and their parents. Over the past 25 years, these challenges, as well as community demands, have shifted the focus areas of all of the entities in the ecosystem.

As has been documented, Shonaquip has been able to weather some of these challenges by leveraging a multi-organisational hybrid approach. Other challenges have however been exacerbated, and indeed sometimes caused, by misunderstandings of both social enterprise and the hybrid model. However, as Shonaquip and Uhambo have consolidated their holistic programme delivery approach, and through a review of both the history and the ecosystem in which Shonaquip operates, it has become clear that there are a number of areas that have not been prioritised, or have lost focus over time, as a result of the nature of Uhambo as a programme delivery NPO (as opposed to a foundation) and Shonaquip as a (Pty) Ltd (as opposed to a non-profit organisation).

4.5.11 Gaps in holistic delivery

Shonaquip has never existed in isolation, but in a fluid dynamic of both partner entities within the disability ecosystem, adapting to respond to needs and seeking to take advantage of changes in policy. Across the ecosystem, the following themes can be identified. It is useful to plot the shifts in delivery vehicles across the ecosystem from 1992 to 2015 in order to identify unmet needs.

FOCUS AREA OF PARTIES IN THE ECOSYSTEM	Inclusive Educ. Resource Centre	Interface	ETEP	WUFA	Shonaquip cc	Inclusive Education RSA	Interface	CAAC	DICAG	Shonaquip Pty Ltd	Uhambo
	ECOSYSTEM IN 1992					CURRENT ECOSYSTEM 2016					
Disabled People Action Group							AAC				
Direction by People w/disabilities							AAC				
““ Parents of Children w/mobility disab.											
““ Parents of Children w/all disabilities							AAC		ALL		
Parent Collective Action									ALL		
Augmented Communication (AAC)	AAC	AAC					KZN	AAC			
Direct Parent Empowerment		AAC					KZN				
ECD Skills Development											
Inclusive Education		AAC									
Empowerment of other Organisations											
Outreach Clinics											
Access to Devices											
Policy and Lobbying		AAC									
Access to Education		AAC					KZN				
Referral Networks								AAC			
Service Provider Capacity											
Therapist Skills and Resources											
Repair Technician Training											
Research								AAC			
Enterprise Development											

AAC =Augmented Communication Focus
 KZN =KwaZulu-Natal vs National Focus
 ALL = all disabilities not mobility specific

Focus
 Historic

Uhambo/Shonaquip Focus
 Unserved/Under supported

Table 7: Shifting focus areas of the ecosystem (Based on interviews with McDonald and Rossetti, 2016)

These themes cover the entire ecosystem that enables children with disabilities and their families to access what they need for an inclusive life (as identified above). They have been identified through an understanding of how to affect social change learnt from insights into the civil sector, as highlighted in Chapter 2 as well as the barriers to access identified in the Uhambo door to door survey. It is the reflection on these missing elements which led to the preparation of a new model proposed by Shonaquip for the social enterprise which will be addressed in the following chapter.

What is just as interesting is that the two key areas for which Uhambo was originally founded – those of policy and advocacy, and enterprise development – are the two areas that are not being addressed. As part of this policy and advocacy work, the voices of children and their parents are, at present, not only not being promoted and heard, but they are also no longer directing the work undertaken in the sector.

A graphic representation, recently presented within Shonaquip, has attempted to illustratively represent this organic growth. As no consistent measurables were recorded over this period – and it is difficult to measure policy impact. This graphic does not represent a quantitative analysis of the outputs and impact, but rather to illustrate proportion of output and scale.

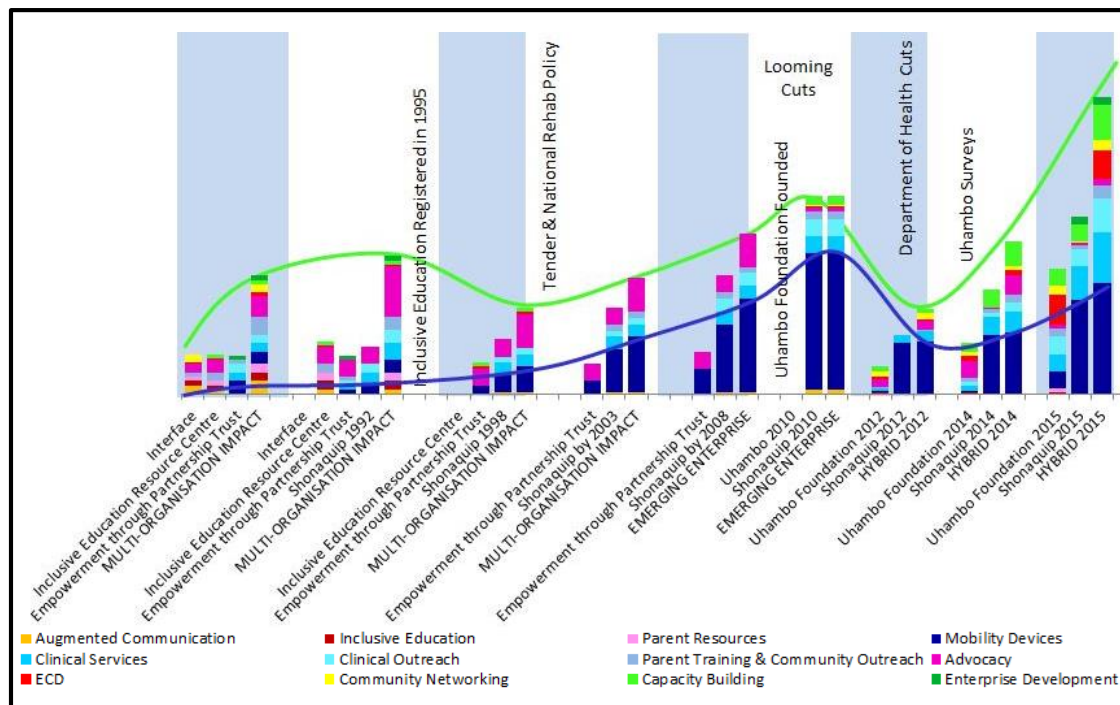


Figure 16: Shifts in focus of entities across the ecosystem (Source: Author's own)

This graphic was also designed as a means, for internal purposes, of tracking the multiplier effect of working with a multi-organisation hybrid. The blue line demonstrates the growth (and dip) in sales of mobility devices. The green line shows the impact of the organisation. As can be seen, while the number of mobility devices may have only just returned to the pre 2010 figures, the influence has scaled dramatically. More importantly, the graphic was designed to show that the ecosystem targets a wide variety of needs to sustainably support inclusion, and that families' need requires this multipronged approach, be it in one organisation or many.

4.6 Summary

Shonaquip and Uhambo historically split purely in order to leverage a varied income stream and while this was initially a fluid process, with the stabilisation and growth of both organisations challenges of identity emerged (Ernst & Young. 2010:64). Since 2015, Shonaquip and Uhambo have undertaken a period of significant self-reflection. This has entailed looking at how best to maximise a shared vision and purpose within two different entities, how to deliver and increase impact, and finally how to leverage the options of public and private support and incentive schemes.

This resulted initially in a clarification of Shonaquip as a multi-organisation hybrid ideal; and then, in 2016, in the conceptualisation of a unique family of entities that are all designed to work together while focusing individually on specific and complementary aspects of both community development and the social model of disability. These entities have yet to be launched.

The lessons learnt over the past 25 years and the options available to hybrid social enterprises, in particular some of the choices that Shonaquip has made to leverage the various legal entities available, will form the basis of specific recommendations presented in Chapter 5.

Chapter 5: Presenting a New Model - Conclusions and Recommendations for practitioners

The research objectives, as stated in Chapter 1, included clarifying the opportunities and challenges facing social enterprises as they look to create social impact, with a particular reference to the South African context. Secondly, to contextualise the evolution of social enterprises as legal entities and identify the opportunities to leverage different structures and changes in the policy environment. The third intention was to analyse the evolving organisational model of Shonaquip as a social impact focused social enterprise; and lastly, to build on Shonaquip's experience to make recommendations to hybrid social enterprises as to ways to increase impact, deliver a holistic approach, and maintain focus on the social purpose.

The first three objectives were the subject of the proceeding chapters. The focus of this chapter is to consolidate and clarify the lessons learned through the case study of Shonaquip and the historical evolution of social change vehicles. The intention is to identify options available to hybrid social enterprises to take advantage not only of current legal frameworks but also of structures and methodologies which may help to mitigate the risks inherent in social enterprises and increase their impact.

Shonaquip has made significant efforts over the past five years to stabilise its income streams and synchronise the process of programme delivery as a united hybrid organisation. Three key factors have been identified through the analysis of both past 25 years within Shonaquip, and the history of social enterprises are key to successfully scaling social impact.

Firstly, advocacy is vital to make systemic change and ideally this advocacy is directed by the individuals involved – the parents, in the case of Shonaquip. Secondly, creating space for volunteers and other service providers within the sector provides an opportunity to scale social impact. Finally, scaling social impact occurs within an ecosystem. For Shonaquip it is clear that there remains a shortage of entities supporting children with mobility disabilities and their families. As a result, it is important to expand the ecosystem of enterprises, which will not only provide support but also serve to create more employment for people with disabilities.

The challenge remains that while these have all been core elements of the vision, they cannot be delivered within the existing structures of the hybrid social enterprise without fundamentally affecting the current balance. A new solution, that will not destabilise the model, needs to be developed to address the gaps in the ecosystem in order to tackle the significant challenges and barriers that still face children with disabilities and their families as they try to live inclusive lives.

One of the advantages of social enterprises is that they offer the opportunity to “create(s) new models for the provision of products and services that cater directly to basic human needs that remain unsatisfied by current economic or social institutions” (Seelos & Mair, 2005:48). As such, Shonaquip, and the researcher in her unique capacity in the organisation, is in the process of building on the work undertaken in 2015 and 2016 to unite the hybrid organisation and to expand the social enterprise

hybrid structure to include two new (as yet unlaunched) entities to address these challenges and gaps. This new proposed organisational structure and framework forms the basis for Chapter 5 and will serve to highlight options available for other hybrid social enterprises.

5.1 Lessons Learned and Key Success Factors Over 25 Years

Shonaquip has evolved from a social enterprise within an ecosystem of related organisations to a sustainable, multiple entity hybrid ideal social enterprise championing a common purpose. This involves the entities actively working with each other and other like-minded and related organisations to deliver on a united vision that directly impacts on approximately 20 000 people a year (Shonaquip, 2016(b), Uhambo Foundation 2016(a)).

As has been documented in Chapter 4, Shonaquip has already fundamentally changed the landscape for children with mobility disabilities and their families through advocacy, policy development, community programmes, trainings and of course the provision of unique, low resource environment appropriate, mobility devices (which are now on government tender in South Africa, Namibia and Botswana) alongside clinical support training and mentorship. However many challenges remain as Shonaquip seeks to fulfil its vision.

The challenges of funding, while mitigated through diverse income streams, is not entirely overcome. There are also, as documented, significant challenges in creating an organisational structure that will maintain the original vision, particularly in financial crisis and as it scales.

5.1.1 Key Factors of Shonaquip as a Vehicle of Social Impact

Shonaquip was started with the primary purpose of making a social impact. To quote Shona: “You don’t make a conscious decision to start a social enterprise, ... but I risked everything I have to achieve my goal” (Ernst & Young, 2010:64). To this end, Shonaquip was only started as a business due to the frustrating experiences innate in trying to address the needs of the broader community in a sustainable and scalable way using charitable funding (McDonald, 2016(a)).

Marcus Coetzee headed up the African Social Entrepreneurs Network and has identified the five elements that define social enterprises (Coetzee, 2014). The primary of these relates to the explicit social purpose.

Shonaquip’s explicit social purpose is to create an inclusive society for children with disabilities and their families (Shonaquip, 2016(b)). As a social enterprise, one of the main goals of Shonaquip is to deliver products and services for sale that impact on this explicit social purpose. It delivers this through the development, sale and provision of affordable, environment specific, high quality posture support, wheelchairs and other 24 hour positioning devices. The Shonaquip clinical team also provides services to private clients.

The sale of products and services is however not the only way through which Shonaquip delivers on its social purpose. Shonaquip (Pty) Ltd also undertakes outreach clinics for those who are unable to afford this support and builds capacity

through training and mentoring of therapists and caregivers. Through Uhambo, the social enterprise delivers support for families in low resourced communities as well as building communities' capacity to help themselves. Just as importantly Uhambo builds the capacity (through training and resource tools) for other service providers to support families in need. This includes the skills and resources to include children with disabilities in ECD (Uhambo Foundation, 2016(a)). Finally Shonaquip employs and trains people with disabilities and their families in an open labour, respectful work environment (Shonaquip, 2016(a)).

It is clear that Shonaquip is not only a social enterprise – by virtue of the fact that every activity it undertakes, through commercial or other means, is firmly tied to its express social purpose – but it is also a hybrid ideal.

5.1.2 Key Factors of Shonaquip as a Vehicle of Social Change

Social Change agents can employ a variety of methodologies, many of which were discussed in Chapter 2. From these, a number of key issues that relate to Shonaquip as a social enterprise have been chosen. These include Policy and Advocacy ; Participant Engagement; the use of Volunteers; Service Provision; Capacity Building and finally Enterprise Development.

a. Policy and Advocacy

Shona, Shonaquip and Uhambo have all been vocal change agents in the field of policy and advocacy. Shona's record in terms of driving social change through policy change has been documented above. Uhambo has impacted policy through the recent surveys and the development of the Uniform Referral Pathway Protocol with the Department of Social Development Western Cape as well as other initiatives. Both the Empowerment through Partnership Trust and particularly WUFSA were founded to represent the voice of children with disabilities and their families. However, despite the fact that Uhambo was founded with a primary mission to provide more advocacy and research (ILO, 2011 (b); and Ker, 2012:25) and with the internal focus being on scaling the wide range of different programmes, policy support and advocacy are still not being done to the desired level.

b. Participant Engagement and Volunteers

Uhambo's Parent Champion programme is based on capacitating parents to be volunteer change agents in their communities. This is coupled with community dialogues which build local networks between people for self-sustainable change. Parents have been involved in every aspect of the work that the social enterprise has undertaken and have been actively involved in the design of a number of programmes. Volunteers sit on the Boards of both organisations and act as advisors; however, with the scale of need, this is potentially an untapped possibility for the social enterprise. Moreover, with the dissolving of WUFSA and The Empowerment Through Partnership Trust, creating a platform for people with disabilities to be engaged in policy and advocacy has been deferred. This was identified as a key focus for the next stage of the evolution of the social enterprise which will be discussed below.

c. Service Provision

Community outreach clinics are a key feature of Shonaquip and Uhambo. Identifying and tackling the imperative needs of families cannot always wait for sufficient local

accessible transport and seating service capacity to be available. In addition, the clinical expertise involved in posture support and the use of assistive devices as body orthotics to support and improve posture is a skilled field with limited practitioners. Shonaquip provides these services to private clients as well (Shonaquip, 2016(a)). Wheelchairs can be made inoperable by very small challenges: outgrown seating systems, worn tyres, broken brakes and missing castors can all prevent a user from being able to utilise their device. Repair technicians also serve a vital function in this process.

d. Capacity Building

Capacity building is a key value of both organisations as it is recognised that the scale of need is significant. The public private partnerships that both Shonaquip and Uhambo engage in are directly related to developing the capacity and providing the tools to deliver on these skills. The social enterprise's holistic approach is designed to build self-sustainability in communities (Shonaquip, 2016(a)).

Posture support devices are, as discussed earlier, vital to prevent secondary complications. At the same time, the devices that Shonaquip makes are tools to support children to engage with society and to have the capacity to participate in education and interact with their community.

Skills development for employment, particularly for people with disabilities, is another key focus for the organisation. To date this has largely been delivered through training and upskilling of administration staff and technicians to work in the production facility and although this was identified as a major purpose for Uhambo, the Shonaquip Foundation in 2010, the shift to community capacity building has resulted in this area being neglected.

e. Enterprise Development

Enterprise development was one of the three key focus areas originally identified as the purpose for founding Uhambo. Again, the shift towards community capacity building has resulted in this being postponed. There is a significant shortage of a number of key areas in the market place, not least wheelchair repair technicians, which is causing a knock-on effect on the quality of life of the community that Shonaquip was founded to serve. Franchise models such as Sanergy were initially considered, but this would require significant quality control mechanisms that are currently beyond the scope of the social enterprise. As a social enterprise, Shonaquip is also uniquely placed to support other parent initiated projects towards becoming sustainable social enterprises.

The emergence of Section 30C Trusts provides an untapped opportunity to raise the funds needed to deliver an Enterprise Development Training Programme and Platform which can also feed into a growing network of disability focused job placement entities.

5.1.3 Key Factors to Scaling as a Social Change focused Social Enterprise

There are key areas which have been identified as vital to deliver on the united vision, and are key learnings from the evolution of civil society, which are not able to be delivered on to scale within the current structure. These include Policy and Advocacy;

Participant Engagement (and particularly direction setting within the beneficiary base); the empowerment and upskilling of volunteers and beneficiaries; and Enterprise Development. This is despite the fact that these areas have been regularly identified as key focus areas over the past 25 years. The challenges of fitting these into the current Shonaquip social enterprise entities stem from a variety of reasons outlined below.

a. Beneficiary Engagement in Policy and Advocacy

Policy and Advocacy remain a key focus for the social enterprise. The different programme teams advocate for clinical services, appropriate design, inclusive education, and social support in line with their expertise. Both Shonaquip and Uhambo advocate for the protection of the human rights of people with disabilities. However, this advocacy is largely driven by skilled experts rather than parents of children with mobility disabilities, or people who had mobility disabilities as a child.

One of the challenges faced by social enterprises is that the role that they play as skilled experts is also an important voice. While it is possible for Uhambo to undertake a project to create a platform for parents of children with mobility disabilities, there would be a risk of alienating the families of children with other needs. It is therefore important to work together with another entity that exists within the ecosystem that will provide an informed platform for parents to be able to participate in advocacy, lobbying and direction setting programmes.

b. Volunteers

One key opportunity that is available within the civil society sector is the engagement of volunteers. While there are volunteers within and across the social enterprise, there has been a limited attempt to create a grassroots movement of parents of children with disabilities. This, coupled with the above, restricts the scale of the work that the social enterprise undertakes within communities. The scale of the challenges faced in South Africa by families with children with disabilities is insurmountable and by engaging volunteers and families themselves, there is the possibility – as with the South African loveLife Programme discussed earlier – of being able to make substantial and sustainable impact. Empowered and active parents have the ability to share this knowledge with other parents and their greater communities. Shonaquip's origins are based within parent empowerment and mobilisation and as the social enterprise evolved and struggled to remain financially sustainable this focus lost priority. Going forward, it is important to explore how to build on the parent empowerment programmes of Uhambo and the parent training undertaken within Shonaquip to build a platform for parents to not only empower each other, but also to lead and set direction for the social enterprise itself and the sector it works in.

c. Enterprise Development

Enterprise Development has been a key goal of the social enterprise since before the founding of Uhambo. Indeed, this is documented as one of the main areas of interest for diversified funding. However, the financial crisis that followed immediately after the founding of Uhambo and the lived experience of the team within Uhambo has meant that this has not been prioritised. Enterprise development is not something that can be taken on lightly. There are significant up-front costs for designing and accreditation of the training programme, providing mentorship and supporting access to market. The

recent emergence of Section 30C Trusts provides an untapped opportunity to raise the funds needed to design and deliver Enterprise Development training programmes and platforms.

There are also a number of other considerations that need to be taken into consideration as social enterprises look to scale.

5.1.4 Other Factors Impacting on Scaling Social Enterprises

Funding will always remain the greatest challenge to scaling initiatives, but this is true for any social impact organisation. There are a number of factors specific to multi-organisational hybrids that should be taken into consideration as social enterprises look to scale their social impact. The following factors can be drawn from the experience of Shonaquip.

a. Choosing the appropriate vehicle for the appropriate purpose

As has been shown through the example of Uhambo, which was originally intended as an income diversification vehicle to build impact which could not be leveraged through limited earned income alone, clarifying the purpose of the entity before creating a multi-organisational hybrid is vital. In part due to the nature of Uhambo as a registered NPO (although the concurrent focus on financial security within Shonaquip played a role), the Uhambo Foundation drifted (although positively) into undertaking a wider and wider range of community capacity building programmes, which led to the siloed nature of programme delivery within the social enterprise and the mission drift documented above. Had Uhambo, the Shonaquip Foundation, been created as a trust, this may have been less likely to happen.

b. Broad-Based Black Economic Empowerment

With the ever changing codes in relation to B-BBEE requirements, the social enterprise has the opportunity to leverage the B-BBEE codes to create further funding for its social impact deliverables. Within a South African context, it is important to bear these opportunities in mind when developing new organisational models. This also allows companies and NPOs to align their work in recognition of national priorities and work together to achieve this. The recently published Codes of Good Practice will have even greater influence on social enterprises particularly if, like Shonaquip (Pty) Ltd, in order to deliver their social impact, they partner with government.

c. Maintaining Vision – and the risk of Mission Drift

Mission drift within social enterprises is common and is the reason that the many states in the United States of America have registered the Benefit Corporation model (Clark and Vranka, 2013:13). The nature of multi entity organisations increases this challenge, with the risk of one or more of the entities changing focus sufficiently to divide the hybrid (Ebrahim, Battilana & Mai, 2014; Harris, 2011; Below & Tripp, 2010).

This mission drift, as in the case of Shonaquip and Uhambo, cannot entirely be blamed on submission to the directives placed by funders and other external parties, as there may also be internal drivers. The delivery team can push to change or evolve programmatic focus areas to reflect their lived experience. In the case of a multi-organisational hybrid, this lived experience can be significantly different between the entities. In some cases, mission drift can occur not only through undertaking new

programmatic direction, but just as importantly through marginalising areas not considered necessary. As identified (Ebrahim, Battilana & Mai, 2014), strong organisational governance is required in order to prevent this.

The possibilities of mission drift have been documented in Chapter 2 and through the experience of Shonaquip in Chapter 4. The experience of the Shonaquip as a hybrid, multi-entity social enterprise bears testimony to the potential pitfalls of not only mission drift due to crises, but also the challenges of differing lived experiences within different entities. The experience of Shonaquip's vulnerability over the past five years bears out the risks of relying only on one individual, rather than a core team, to drive the united vision. One of the areas that needs to be addressed is how to secure the organisation's founding vision without stifling the chances to take advantage of opportunities or respond with agility to need. Finding an innovative solution to this challenge has been a key secondary focus of the new modelling process to deliver social impact.

5.2 Finding a balance of Legal Entities

Different focus areas of social impact require different vehicles. In the same way that the Empowerment Through Partnership Trust was founded as a trust with a mandate to raise funds for other organisations (Inclusive Education Western Cape, WUFSA and the purchase of devices etc.), so too was it important that Shonaquip be registered as first a private company (1992) and then a limited liability company (2010) as the business evolved. The registration of Uhambo as an NPO (despite initially being intended to act as a foundation) reflected the need to diversify income. As has been demonstrated, the nature of Uhambo as an NPO led to it undertaking significantly more community engagement programmes over and above fundraising and advocacy.

5.2.1 Leveraging the Benefits of Shonaquip as a Registered Company

By registering as a company, Shonaquip was able to engage in a public private partnership with government (ILO 2010:17) which, in light of the significant scale of the challenge and shortfall of paediatric devices in South Africa was, and is, vital to delivering on the social need. Secondly, Shonaquip was able to access funding both through traditional debt financing and leveraging loans through government structures such as the Industrial Development Corporation (IDC). The profit generated by Shonaquip was able to fund extensive redesign and improvement of the product range as Shonaquip grew from making 100% customised devices to standardised and modular ranges that were able to be easily adapted on site by therapists (Shonaquip, 2011). These profits, particularly from private clients, were also able to fund the extensive lobbying and research that was needed as part of shifting policy both nationally and then internationally – which in turn resulted in the purchase of more appropriate devices for children. In the past financial year, Shonaquip was able to directly impact on the lives of over 14 000 people through the production of devices, seating services, awareness and skills training (Shonaquip, 2016(a)).

5.2.2 Leveraging the Benefits of Uhambo as a Registered NPO

While Shonaquip was initially able to undertake significant community impact activities that were not income generating, the scale of the need is such that a diversified income stream is required. Having an NPC alongside the for-profit vehicle ensures that as teams grow there is the ability to increase the number of staff and facilitators with

specialist experience that extends beyond the ability of the for-profit entity to fund. In the 2016 Financial Year, Uhambo was able to directly impact through its community programmes on the lives of over 5 000 children, parents, caregivers and stakeholders in addition to public awareness events and door to door surveys (Uhambo, 2016).

5.2.3 Leveraging the Benefits of Shonaquip as a Multi-Organisational Hybrid

With the scale of the challenges facing children with mobility disabilities across South Africa, support from multiple sectors is important. The B-BBEE framework discussed above in Chapter 3 raises opportunities for Shonaquip and Uhambo, specifically as a hybrid.

a. Tax incentivised donations

Now that Shonaquip (Pty) Ltd is financially stable, it is able to donate funds to Uhambo, on condition that this donation is unrestricted; and is also able to receive donor incentives through the provision of Section 18A Certificates under the Taxation Laws Amendment Act No 30 of 2000 and The Income Tax Act No 58 of 1962. While this brings no added benefit to the situation prior to the organisations' splitting (in which case funds would be directed internally to projects prior to taxation) this means that, as two entities, Shonaquip and Uhambo are, under the current tax framework, able to support each other as before without incurring the penalties that would apply if both parties were registered corporations.

b. Maintenance of skilled staff capacity

Uhambo is able to fundraise for the provision of outreach clinics. This additional income means that Shonaquip is able to maintain a larger clinical team full-time. Uhambo contracts Shonaquip to deliver these clinical services (Shonaquip, 2016(b) and Uhambo Foundation, 2016(a)).

c. Tax obligations

One of the Uhambo capacity building programmes (the Ndinogona inclusive ECD programme) comes with a training kit which is now sold commercially. This kit was initially designed by Shonaquip. Shonaquip has the infrastructure to deal with the VAT involved in these sales. Uhambo therefore buys these items from Shonaquip who assemble the kit, hold stock and maintain it. This means that the expertise in managing the financial elements of sale is centralised in one team resulting in a cost and personnel saving across the hybrid.

d. Broad-Based Black Economic Empowerment

Uhambo is a Level 1 B-BBEE registered NPO and Shonaquip is a level 2 B-BBEE SME. This presents an opportunity to deliver both Socio-Economic Development (SED) points and Enterprise and Supplier Development (ESD) Points through focused impact objectives with two synchronous transactions and one hybrid partner.

The B-BBEE Act's Enterprise and Supplier Development (ESD) pillar measures the extent to which enterprises carry out initiatives intended to assist and accelerate the development and sustainability of black entrepreneurs and enterprises. ESD comprises both Enterprise and Supplier Development and Preferential Procurement. In the case of Shonaquip, this includes the purchase of wheelchairs.

Socio-Economic Development (SED) pillar incentivises social-economic development for black South Africans. The B-BBEE codes measure the extent to which enterprises carry out initiatives that contribute towards Socio-Economic Development. Donations and investment in the social impact programmes of a social enterprise could (depending on whether they qualify) contribute to a donor's SED Points. This could include the donation of the same wheelchairs as above.

It is hoped that with the new branding released, Shonaquip will be in a position to aggressively leverage this opportunity, building on the model of The Clothing Bank which has very successfully consolidated fundraising through B-BBEE incentives (The Clothing Bank, 2016).

One of the elements that will be promoted in relation to B-BBEE is that Shonaquip, as a multi-entity social enterprise, is in a unique position to be able to deliver both SED and Preferential Procurement Benefits in the same project. Simplistically, a potential donor would undertake one transaction with Shonaquip in order to purchase devices, and then donate these same devices to Uhambo to receive points for SED development. This would leverage clause 6.4.2 of Code 400 as outlined in the Amended Codes of Good Practices of the Broad-Based Black Empowerment Act No. 53 of 2003 as it refers to "the investment, loans or donations qualifying for recognition" to Uhambo for distribution.

The opportunity for this integrated point management system is only available because Shonaquip and Uhambo are registered as separate for-profit and for-purpose entities. For what equates to the same donation, a company is therefore able to benefit two different stakeholders under two separate pillars and therefore receive twice the benefits. This, it is hoped, will make partnering with Shonaquip as a social enterprise attractive to potential donors and investors.

5.3 Shonaquip: Moving Forward

Shonaquip (Pty) Ltd and Uhambo have evolved from the potential separation of 2014 to deliver a united blended approach: a commitment to the hybrid ideal whereby each entity and each activity works together to deliver on the united vision. During 2015, Shonaquip (Pty) Ltd and Uhambo undertook a period of significant self-reflection looking at how best to maximise a shared vision and purpose within two different entities, how to deliver and increase impact and finally how to leverage the options of public and private support and incentive schemes. As has been documented in Chapter 4, this resulted in a clarification of Shonaquip as a multi-organisation hybrid ideal.

There remain three areas of risk. The first is that there is still significant dependency on the founder to unite the entities around the shared vision. Secondly, as with any multi-entity hybrid, there is the risk of the entities drifting apart from each other again and, more worryingly, failing to deliver on programme areas considered vital in the future. Finally, within the existing framework of entities, Shonaquip is only able to take advantage of some, but not all, of the shifts in legislation to bring its work to scale.

Funding challenges, while mitigated through diverse income streams, are not entirely overcome. There are also, as documented, significant challenges in creating an

organisational structure that will maintain the original vision, particularly in financial crises. This risk of mission drift is common and is the reason that many states in the United States of America have registered the Benefit Corporation model (Clark & Vranka, 2013:13). Mission drift, as discussed earlier, can in the case of a multi-organisational hybrid be caused by significantly different programme teams within the organisations. Housing the elements of the holistic approach within different entities that each have a clearly defined and complementary purpose will hopefully mitigate this risk.

During 2016, this modelling within Shonaquip has evolved into the conceptualisation of a unique family of entities that is governed by an overarching compass. These entities are designed to work together while focusing on specific and complementary aspects of both community development and the social model of disability. The entities have yet to be launched but are documented below as a possible way to overcome the shortfalls identified in Chapter 4 and to take advantage of the recent shifts in legislation identified in Chapter 3.

5.3.1 Addressing the Challenges: The way forward

Shonaquip has made significant efforts over the past five years to stabilise its income streams and programme areas. However, a new solution that will not destabilise the emerging multi-entity model needs to be developed in order to embrace the outstanding areas to help address the significant barriers to access which prevent children with disabilities and their families from leading inclusive lives.

As identified above, there remain four areas – vital to the united vision and key learnings from the evolution of civil society – that are not able to be delivered on within the current structure. These are: Policy and Advocacy; Participant Engagement (and particularly direction setting within the beneficiary base) and the use of Volunteers and Enterprise Development. Despite the fact that these areas have been regularly identified as key focus areas over the past 25 years, they continue to be marginalised.

Over the past two years significant effort has gone into conceptualising an expanded framework for a larger multi-organisational hybrid that will leverage the benefits of a number of additional and different legal entities. These entities have been chosen as the most appropriate vehicles to enable Shonaquip to focus on its social purpose. This proposed model will be explored below.

5.3.2 The new Codes of Good Practice and Impetus for Remodelling.

In early 2015 it was identified that in order ensure our focus matched our purpose and, at the same time, maintained Shonaquip's B-BBEE Level 2 status (which provides Shonaquip with a competitive advantage during government tender processes versus international importers of devices) it was important to increase the percentage of black ownership to the levels needed in line with the new codes of good practice (Department of Trade and Industry, 2015). It would have been easy to merely transfer additional shares to Uhambo but this would not have addressed the issues highlighted above. Moreover it was felt strongly that the healthy tensions created when a company and an NPO worked together as equals in achieving a common desired purpose (not a company owned by or for the sole purpose of an NPO) needed to be maintained.

5.3.3 Addressing the Gaps in the Shonaquip Social Enterprise Ecosystem.

As was discussed in Chapter 4, the existing entities of Shonaquip function directly in accordance with their legal frameworks. Shonaquip (Pty) Ltd functions as a limited liability company focused on sustainable production and service delivery and securing sufficient profit to remain sustainable. Uhambo, as an NPO, is focused on the delivery of capacity building programmes.

During the evolution of all of the parties involved within the ecosystem of organisations supporting children with mobility and multiple disabilities, and specifically within the social enterprise, two main threads were identified as needing more focus:

1. Participation and empowerment of parents of children with mobility disabilities in setting the policy and service delivery agendas
2. Enterprise development of service providers for the sector and the empowerment of people with disabilities and their families to through employment or income generation.

However, adjusting the focus and structure of the existing hybrid social enterprise purely to comply with the new codes without conscious thought as to the implications was not an option (McDonald, 2016(a)). The easiest option would, as discussed above, have been purely to transfer more shares to Uhambo making it the majority shareholders. One of the main considerations was how being a majority shareholder would affect the balance achieved between Shonaquip (Pty) Ltd and Uhambo as equal partners and particularly how this balance helped to secure Shona's vision of a holistic and sustainable social enterprise. A second concern was preventing the opportunity for the mission drift experienced over the 2011-2014 period. The third, and final priority was to ensure that the business returned to being a mechanism for social good where every individual is valued and the social impacts does not only benefit those stakeholders outside the organisation but also those inside. It is hoped that this model will influence other stakeholders in their journey (McDonald, 2016(c)).

It was determined that **a balance needed to be created with the formation of a third entity** that would be structured to address a specific focus area of the social enterprise that was currently not being delivered upon. It was also determined that if a third vehicle was going to be created, it needed to fulfil a different purpose – neither as a service provider, nor as a capacity builder.

One of the challenges facing the management team was which of the missing focus areas (a platform for parent advocacy or the development of a programme to capacitate new enterprises to support families of children with disabilities) was more important.

In light of the history of mission drift within the existing hybrid social enterprise, it was clear that a parent advocacy entity that could (in addition to its main purpose) ensure that the social enterprise remained true to its principles of delivering on the needs of families with children with mobility disabilities was of vital necessity. This would ensure that in the long term the vision of the founder would remain in effect even if Shona was no longer involved (McDonald, 2016(a)).

When exploring appropriate models for enterprise development, it was also realised that while a Section 30C Trust could raise the income for enterprise development programmes, in order to leverage the skills within Shonaquip and Uhambo there needed to be an arms-length distance between the Section 30C Trust and the other entities if the Section 30C Trust was to contract Shonaquip or Uhambo to deliver training. While undertaking enterprise development was vital, if it was chosen to fund this through a Section 30C Trust. This trust would not be able to be a shareholder of Shonaquip. It was decided to explore the development of both entities at the same time.

Finally, it was determined that, as with the relationship between Uhambo and Shonaquip, there needed to be clear intersections and referral pathways of benefit and direction between each of the entities and programme areas to ensure united direction and purpose (McDonald, 2016(c)).

Figure 16 models how these two additional focus areas could complement and support each other in the following of a holistic approach. It is important to note that the model demonstrated in Figure 16 was created to reflect the focus areas rather than individual entities.

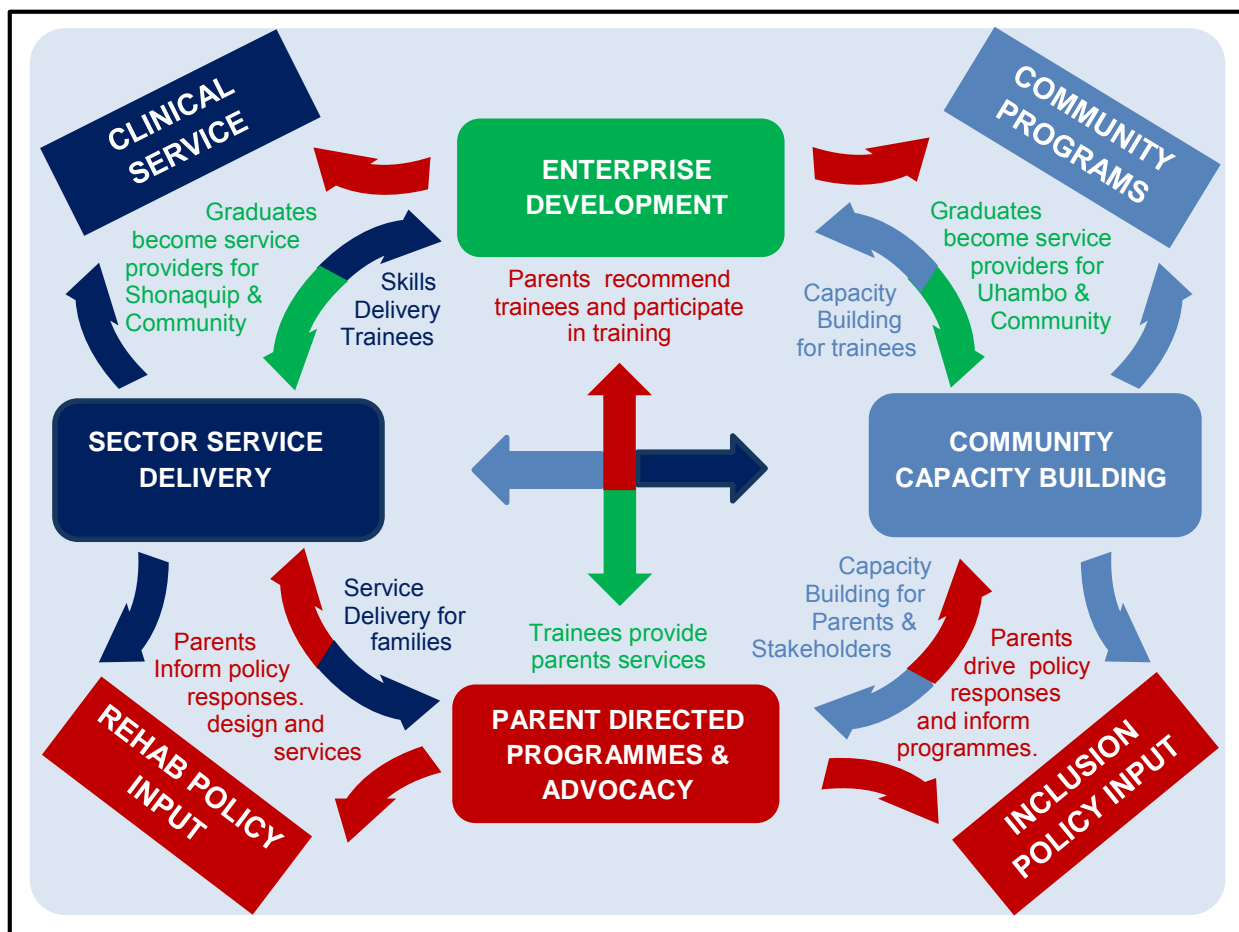


Figure 17: Modelling the inter-programme relationships (Authors own)

By housing each focus area in a different entity, the proposed multi-organisational hybrid could consist of entities that are not only designed with their own autonomous focus area, strengths and methodologies, but they would specifically complement the work of the other entities reducing the risk of mission drift.

Having made the decision to prioritise an advocacy platform for (and by) parent of children with mobility and multiple disabilities as well as to develop a funding mechanism for enterprise development programmes that built on the skills of the social enterprise, it was important to identify appropriate legal entities that would complement the hybrid and leverage legislative benefits.

5.3.4 *Trusts as a Vehicle for Advocacy*

As has been discussed in earlier chapters, choosing the appropriate legal entity to deliver on the purpose of a social change vehicle is vital in order not only to take advantage of the opportunities of different legal structures, but also to ensure that the entity delivers on the original mandate. Advocacy vehicles can naturally register as any form of civil society vehicle, from trusts to NPC or even for profit social enterprises. One of the advantages of a trust as a vehicle for community based advocacy lies in the mandate placed on trustees to deliver benefit to beneficiaries which are specifically outlined in the trust deeds.

a. Trusts as Vehicles for Advocacy within the Disability Sector

Internationally, Patient Advocacy Organisations (PAO) are a common phenomenon, and are typically formally organised non-profit groups that focus on specific medical conditions and have a mission and take actions to help people affected or their families (Rose, 2013:680). Common examples include the various cancer organisations. Two of the major roles these organisations play include educating the public and lobbying government to increase research funding and treatment as well as changing legislation related to the diseases they represent (Rose, 2013:680).

These organisations, while often initiated by those affected by a particular condition, are typically run by specialised professionals. Sadly, a number of other studies have shown there is commonly a conflict of interests within PAOs, many of whom have financial ties with the pharmaceutical industry (Rose, 2013).

As has been discussed above, disability is however, not a health challenge alone, but rather a social matrix preventing the active participation of people with impairments participating in society. The patient advocacy model therefore does not apply per se.

The professionalisation of advocacy and the drive towards issue-based advocacy undermines advocacy that is founded on collective action and user participatio (Ridley et al, 2015: 143). In Ridley et al's (2015) publication on Independent Mental Health Advocacy they reference evidence from a number of studies on the importance of putting the service user at the centre and the role of advocacy in ensuring that their voice is heard.

In addition, overtly involving stakeholders in the decision making processes will help to ensure that governance and direction setting by the board is in accordance with the beneficiaries' interests. Downwards accountability is always a challenge within any civil

society organisation unless firm arrangements are made to ensure participation (Ebrahim, Battilana & Mai, 2014:92).

b. The Registration of the Champions of Change Trust

It is important to differentiate the requirement for a separate advocacy platform. Uhambo focuses on capacity building programmes to support an inclusive society and as such works (like other established organisations) to support families across the disability spectrum. The identified gap is specifically for a platform for parents of children with mobility disabilities to direct the work of others that support their specific needs. As it is not necessary for the platform to delivery programmes (outside of advocacy, lobbying and the empowerment of parents to participate in such), housing this platform in a trust reflects the entities purpose.

The Champions of Change Trust was registered in 2016, and will be launched in 2017, with the intention of creating a platform for parents' (and their children's) voices to be unified to ensure that their voice is heard (McDonald, 2016(c)). This platform will build on programmes within Uhambo and other relevant organisations to empower parents with the knowledge and skills to champion causes for their children (Uhambo Foundation, 2016(b)). As per the Deed of Trust, the trustees of the Champions of Change Trust are required to be themselves Parents or Caregivers of Children with disabilities, or individuals focused on the empowerment of parents of children with disabilities (Champions of Change, 2016).

By endowing the trust with shares of Shonaquip, the intention is to ensure that the focus of the social enterprise remains driven by the needs of children with mobility disabilities and their families beyond the involvement of Shona McDonald as an individual parent. The manner in which this vision will be achieved, and the success of this model, should be the focus of further research after the public launch of the trust in 2017.

5.3.5 Section 30C Trusts: Opportunities for Enterprise Development

With a vision to widen the support ecosystem, Uhambo and Shonaquip between them have a number of unique skillsets that they could use to train and empower other new entities. These include wheelchair repair and the maintenance of hospital equipment; reasonable accommodation and successful employment equity; professional caregiving; clinical services for people with mobility disabilities; and, uniquely, the skills of being a social enterprise.

The proposal is to develop these lessons into training modules in order to empower others to establish and run their own sustainable entities. As a social enterprise working across these areas, Shonaquip has the ability to share these lessons, to mentor and to provide access to markets. The potential trainees for these different enterprise development streams would, ideally, be people with disabilities themselves or the parents and family members of children with disabilities.

While Uhambo and Shonaquip Pty Ltd both have the opportunity to engage in Enterprise Development, the vision to broaden the ecosystem of people and entities supporting children with mobility disabilities and their families requires not only a very

specific, targeted focus, but more importantly set up costs and therefore a new revenue stream.

a. New Legal Frameworks for Enterprise Development Social Enterprise: 30C Trusts

The emergence of Section 30C Trusts in mid-2015 (discussed in section 3.4.3.) has presented a new option to create a legal framework specifically dedicated to secure the income needed to deliver enterprise development activities while enjoying the benefits of an NPO (Republic of South Africa, 2015).

What is more, the Section 30C Trust, in and of itself, does not need to deliver the training programmes. With many of the skills for the intended programmes housed within Shonaquip and Uhambo, the Section 30C could contract both Shonaquip and Uhambo together with a few other service providers to undertake most of the training. What is of even more interest, is that Section 30C Trusts provide potential investors with the security that their B-BBEE targets will be clearly delivered on. They thus incentivise donation which allows the social enterprises to engage with potential investors who would otherwise not necessarily be interested in the work of Uhambo or Shonaquip (Pty) Ltd (see strategic partnerships discussed in section 3.6.1).

b. Registration of the Empowerment through Enterprise Trust.

Recognising the potential of this new trust form to change the socio-economic circumstances of people with disabilities and also to build capacity of skilled individuals who wish to support people with disabilities, a new entity, **the Empowerment through Enterprise (ETE) Trust has been registered as a Section 30C Trust and will be officially launched in 2017** (Empowerment Through Enterprise Trust, 2016).

In order to accommodate these additional training programmes, Shonaquip and Uhambo are moving to new premises that have the potential for a training academy surrounded by the factory, the Shonaquip clinical team, the programme teams of Uhambo and, just as importantly the administration and finance teams of both entities. The manner in which this second entity will deliver on this vision should be the focus of further research after the public launch of the trust and efforts have been made to raise funds using this vehicle.

5.3.6 Framing the new entities and focus within the framework of the International Classification of Functioning, Disability and Health

Shonaquip is firmly committed to the social model of disability as reflected by the ICF (see section 4.3.1) as the basis for undertaking programmes that impact not only on the medical barriers to access but also other, social, personal and environmental barriers to inclusion. Having placed the roles and focuses of Shonaquip Pty Ltd and Uhambo within the framework of ICF (see Figure 13), it is useful to revisit the ICF in relation to the new entities proposed. When the ICF was originally developed it was designed as a framework for organising and documenting information on functioning and disability (WHO, 2001). It conceptualises functioning as a “dynamic interaction between a person’s health condition, environmental factors and personal factors” (WHO, 2013: 3).

To determine where the two new trusts, the Champions of Change (proposed in section 5.3.4) and Empowerment Through Enterprise Trust (proposed in section 5.3.5.), sit in relation to ICF, it is important to clarify the definition of environmental and personal Factors.

a. Environmental Factors within the ICF

The WHO defines environmental factors as the physical, social and attitudinal environment in which people live and conduct their lives. These are either barriers to, or facilitators of, the person's functioning (WHO, 2013:5). The current model of Shonaquip addresses these elements within Uhambo's capacity building and community based programmes.

The intention of the Champions of Change Trust is specifically to create an advocacy platform to transform (through lobbying government and directing service providers) the physical, social and attitudinal barriers limiting children with mobility disabilities and their families. In addition, the trust has been founded to lobby for issues affecting families of children with mobility disabilities and it should be assumed that this will include accessible education, improvements to the built environment and opportunities for employment.

b. Personal Factors within the ICF

Personal factors are the widest reaching and most individual of the factors that impact on a person's inclusion and as such are not classified as specifically as the other factors in ICF. Personal factors may include gender, age, race, lifestyles, habits, education and profession, and even personal temperament and motivation (WHO, 2013:26). Some of the key features are an individual's economic, education and employment status (WHO, 2013:26). Uhambo Foundation impacts on personal factors through its community and capacity building programmes, Shonaquip provides the tools and the services to support not merely body functions but also access to education and employment. Programmes impacting on a person's economic, education and employment status are however limited.

The focus of the ETE Trust is to directly impact on these elements. Furthermore, by building capacity for service providers, these programmes will also serve to bridge other challenges for children with mobility disabilities and their families to ensure even greater inclusion.

c. Personal and Environmental Factors within Shonaquip

Shonaquip has identified two main threads as gaps in the holistic approach that require support and focus. These tie in with the ICF. The participation and empowerment of parents of children with mobility disabilities in setting the policy and service delivery agenda will serve to address personal factors preventing inclusion. In turn, the focus on enterprise development of service providers for the sector and the empowerment of people with disabilities and their families through employment or income generation will address the environmental barriers. This reflects the complementary roles as identified in Figure 16.

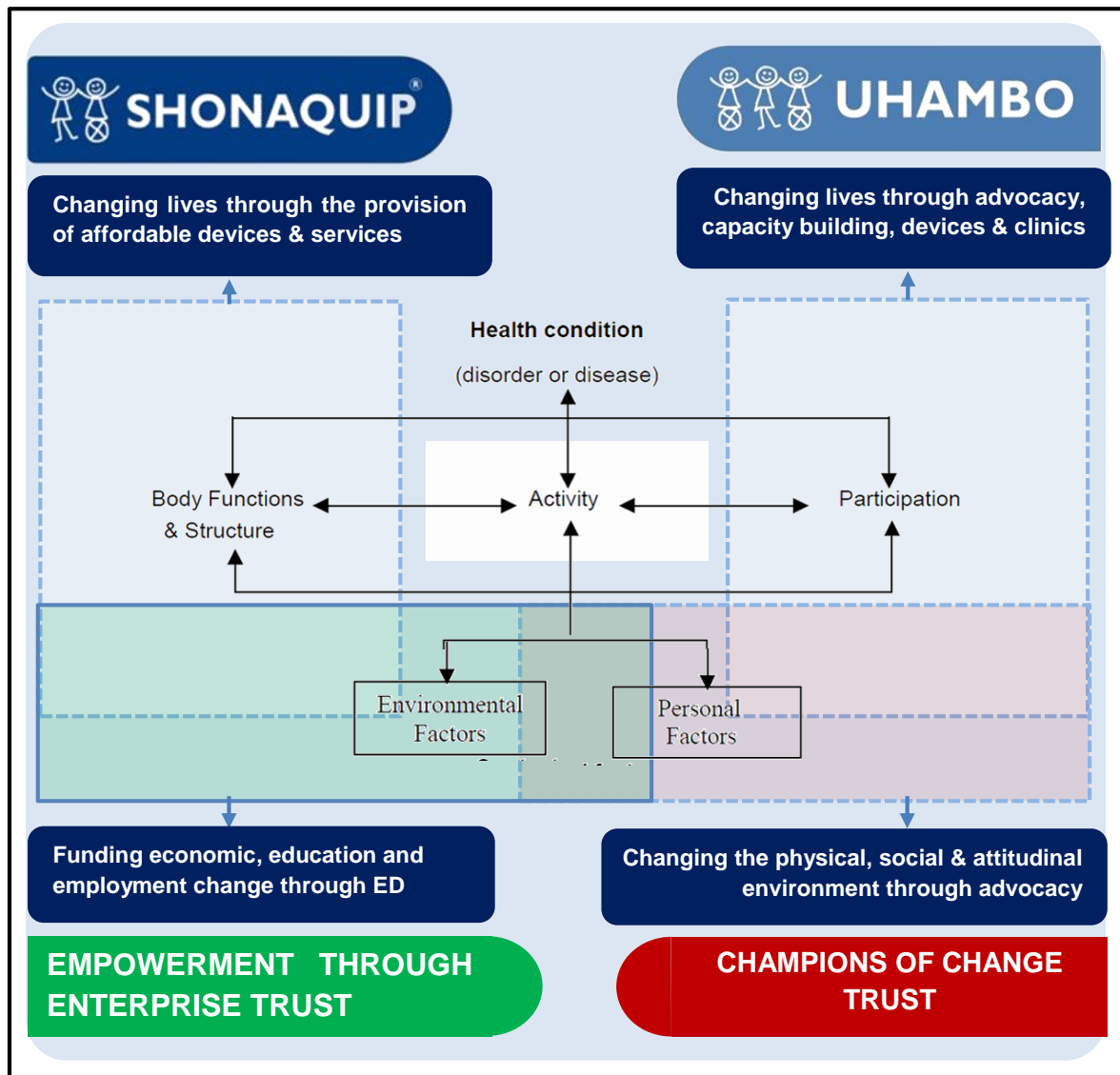


Figure 18: The new focus areas of Shonaquip with the ICF Classification (Author's own)

Figure 17 illustrates how the two new trusts address not only the identified gaps in focus needed to deliver a holistic approach, but compliment the focus areas within the ICF framework.

Because of the cross-over of the ETE Trust and Shonaquip (training wheelchair repair technicians, therapists and caregivers) and between the Champions of Change Trust and Uhambo (in parent empowerment), the Environmental and Personal Factors are switched in Figure 17 when compared to the original ICF model.

It is important to note that the ETE Trust is designed as a funding vehicle for enterprise development programmes that will be undertaken by Uhambo and Shonaquip as well as other parties. It is therefore not intended to be a shareholder of Shonaquip.

5.3.7 *Providing Opportunities for Volunteering and Community Mobilisation*

The Champions of Change Trust, while not explicitly designed to engage with volunteers has also been structured to ensure a widening of opportunities for engagement. The Champions of Change Trust has been set up to provide a platform for all parents, as volunteers, to participate in advocating for their rights and lobbying stakeholders for change. Because the Champions of Change Trust has been designed to be parent driven, the exact manner in which this will occur will be designed by parents through a process of participatory engagement during the course of 2017 and beyond.

This would benefit from being the focus of further research as it evolves particularly with reference to how a stakeholder platform is able to deliver direction to other parties within a multi-organisational hybrid.

5.3.8 *Framing the New Entities in Relation to Each Other: A Social Compass*

The clear purpose of each entity has been designed to attempt to limit the degree of mission drift and ensure that the emerging entities have space to evolve while still working harmoniously and collaboratively. In addition to the explicit modelling that has been undertaken, the social enterprise is constructing a social compass; and a 'Social Compass' board of advisors consisting of board members from each entity that will oversee the delivery of a united approach. The success and limitations of this model should be the focus of additional research following the launch of the new trusts.

Securing the delivery of the holistic vision has been the driving force behind the creation of the additional entities within the social enterprise. In order to ensure that this vision and purpose is secured going forward, a Memorandum of Understanding (called the Social Compass to reflect the direction setting nature of the document) is being developed between all the parties. This will document both the purpose of the social enterprise and the relationship between the various entities.

In addition, the Shonaquip (Pty) Ltd Shareholder's Agreement (Shonaquip 2016 (d)) is being drafted to reference the obligation on each shareholder to send a senior delegate to Social Compass meetings, and to take the input from the Compass. As the Empowerment through Enterprise Trust is not a shareholder, the Shareholders Agreement will also include the provision for any signatories to the Social Compass to be considered a Stakeholder.

The Shonaquip Shareholders' Agreement (Shonaquip, 2016(d)) is based in part on lessons learnt from the USA Benefit Corps model (discussed in 3.3.1) and the work of Chuffed.org (Paramanathan, 2016) an Australian Social Enterprise. Within South Africa it is, to the author's knowledge, the first attempt to create such a social enterprise shareholder's agreement and would warrant further study.

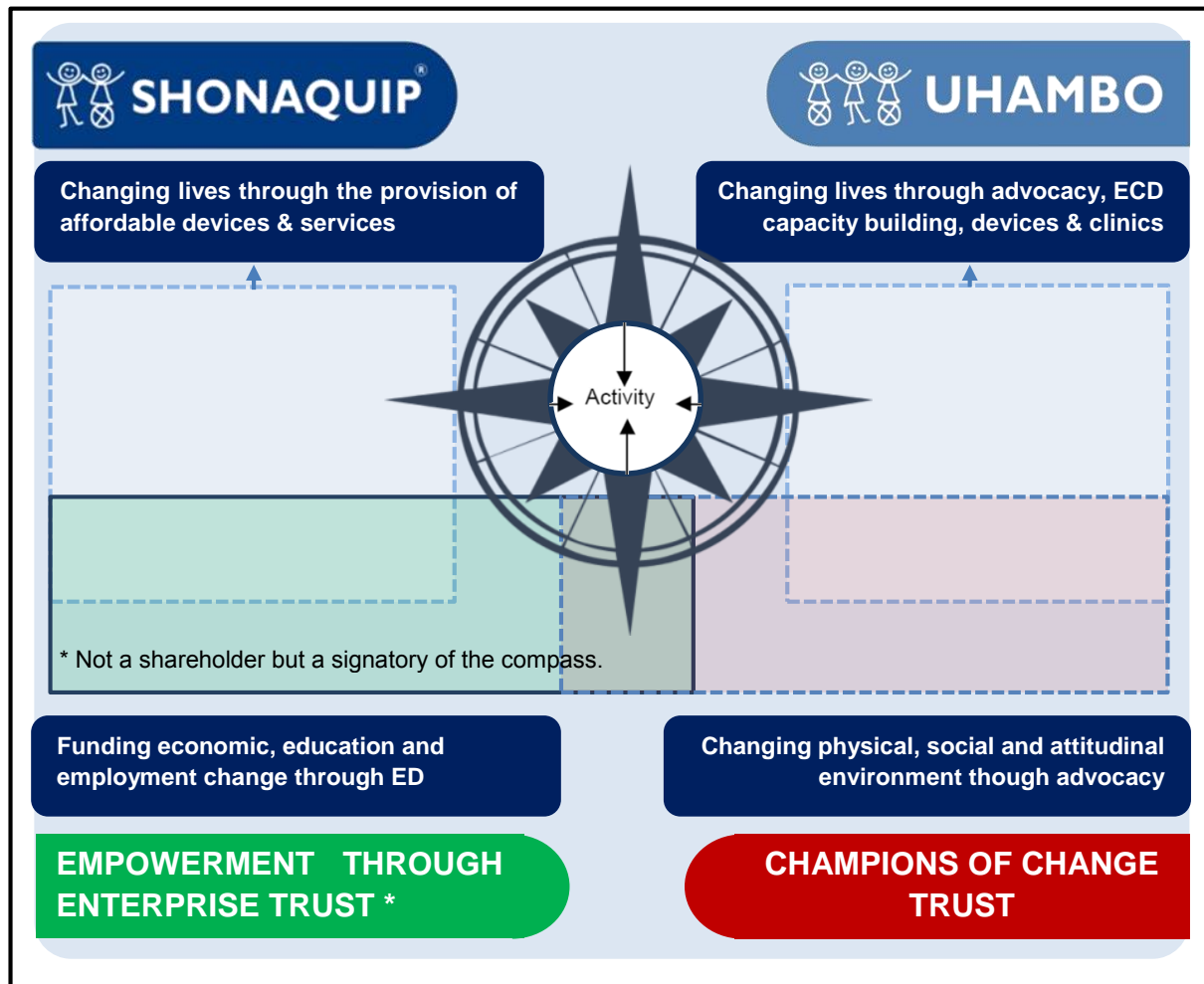


Figure 19: The Role of the Social Compass in the larger Hybrid Ecosystem (Author's own)

The intention of the Social Compass – and the creation of a Compass Committee that will link the different boards – is also to ensure that the board members are provided with sufficient information to provide governance in accordance with the beneficiaries' interests and align these to funders and the purpose of the organisation (Ebrahim, Battilana & Mai, 2014:92). Stakeholder accountability, particularly bottom up accountability, is a priority for Shonaquip as it seeks to build on the lessons of civil society as a social change agent. The importance of stakeholder accountability is specifically addressed in the Shareholder Agreement (Shonaquip, 2016(d)).

At the heart of the social compass is the vision of inclusion and an understanding of the ICF definition of disability. This model will benefit from further research as it starts to function following the launch of the Champions of Change Trust and the Empowerment Through Enterprise Trust.

5.4 Recommendations for Future Social Enterprises

The history of Shonaquip over the past 25 years presents many lessons for social entrepreneurs as they either look to scale their own social enterprise, or consider starting a new enterprise. Just as importantly, the impact that Shonaquip (alongside other partners) has been able to achieve in changing the landscape for children with mobility disabilities and their families is the result not only of the social enterprise structure, but also of an understanding that social enterprises need to draw lessons from civil society as well as the private sector to effect lasting social change.

The history of Shonaquip throws light on the importance of social entrepreneurs being adaptable to reshaping and reforming their organisational structures to respond both to challenges and to opportunities and needs identified within the communities that they serve. There are very real risks (as Shonaquip learnt through the challenging period of 2010-2014) of being enticed from the initial purpose by following the suggestions of potential funders, investors and dominant financially driven advisors. Without a strong united leadership between the organisations within a multi-entity hybrid organisation, the lived experience of the team may also lead one or both entities in a new direction that fundamentally changes the nature of the whole. The resultant mission drift becomes a significant challenge to overcome and Shonaquip was only able to return to its original mandate through the hard work and dedication of key individuals within the organisation supporting the original founder.

What has been vital is clarity of vision. The risk however is that this clarity of vision can be dependent on strong, ongoing input from the founder, particularly when the founding documentation is not adequately recorded or fully expressed. Shonaquip underwent five years of financial challenges, but it has taken two years not only to re-arrange the organisation around a united vision again, but also to re-lay the foundations to deliver on its social purpose. This required a strong and committed team that crossed both entities and shared the same vision.

This is not to say that the evolution and lessons learnt during this period have not, in fact, resulted in a stronger organisation. The evolution of Uhambo particularly is based on ongoing social need and rather than withdraw from the programmes developed, the social enterprise has decided to evolve its formation to accommodate both the experiences gained within Uhambo and the original vision.

This new model builds on the legacy of the history of Shonaquip: but it also recognises the gaps in the ecosystem created by the evolution of the original partner network. A growing recognition of social enterprises as vehicles of social change – and a learned awareness of the evolution of civil society organisations – has resulted in Shonaquip developing as a multi-entity structure consisting of four very different legal entities, each chosen to deliver on a unique part of the original mandate. This new structure will hopefully create the internal balances needed to deliver new levels of growth and secure the sustainable holistic approach.

This model bears further research as it is implemented particularly to document the success or challenges of this new hybrid for new social entrepreneurs hoping to develop their own models for social impact.

5.4.1 Opportunities for Social Enterprises in RSA

There are a wide range of models available for social entrepreneurs as they take up the challenge to become vehicles for social change. The models presented in earlier chapters of multi entity hybrid social enterprises such as Clothing Bank, Learn to Earn, the LifeCo UnLtd Group and others all reflect combinations of private companies and civil society entities selected in a combination that specifically delivers on the vision for social change that each organisation wishes to effect. There is therefore no perfect, one size fits all model available for social entrepreneurs.

It is this very variability that presents challenges for national governments to create a single legal framework that would protect the vision of the organisation (such as Benefit Corporations in the USA) or to provide incentives for investment in social enterprises to overcome the limitations of existing finance models such as Social Purpose Corporations in the USA or CICs in the UK. South Africa has registered Section 30C Trusts, but these have very limited applicability as they are restricted to enterprise development activities.

The lack of a unifying legal structure in South Africa provides a fertile environment for experimentation and might indeed yield more flexible and unexpectedly positive results. The need for a dedicated legal framework for a social enterprise as a singular entity might, in fact, be unnecessary and hybrids, using a variety of legal entities, might therefore be seen a more viable solution particularly as these challenges have yet to be resolved internationally.

The implications of South Africa's affirmative action framework in the form of the B-BBEE legislation and codes of good practice has a unique, but significant impact, on the model that a South African social entrepreneur can choose to adopt. LifeCo UnLtd, the Clothing Bank and Shonaquip have all remodelled their organisations to leverage the benefits available in relation to selling their products as well as ensuring that they are as attractive as possible to potential investors and donors. The multi-entity hybrid model is particularly attractive in these instances, as sharing ownership across organisations can assist in increasing the B-BBEE rating and thereby making the social enterprise as attractive as possible to potential partners.

In a country with stark social needs and inequality, social enterprises are an attractive solution to securing the financial sustainability, and reduce donor dependency for organisations looking to make social impact.

5.4.2 Founding a Social Enterprise – Learning Lessons from Shonaquip

a. Choosing the founding legal entity and structures.

Starting a social enterprise as a multi entity hybrid can be administratively burdensome particularly in light of the limited start-up funds available for either commercial entities or community based organisations. Recognising that a key element of a social enterprise is the commitment to secure funds through the sale of a good or service, it is common for social entrepreneurs to choose to start either as a for profit or a for purpose entity and then grow into a multi organisational entity as they scale. This is definitely the formal experience of Shonaquip. However, by reflecting on the history of Shonaquip, it is clear that there were benefits to the delivery of social impact that the

ecosystem of organisations included the Empowerment through Partnership Trust provided by acting as a funding body for social impact activities. This model can, however, be replicated through partnership with an existing funding body or business entity providing they understand the social purpose.

The Shonaquip experience shows that it was through advocacy that the commercial arm of the social enterprise was able to bring its work to scale. Ignoring the lessons from civil society around community participation and stakeholder empowerment could therefore detrimentally affect the scope and scale of the social enterprise if it only has a for purpose vehicle.

Choosing to house the social enterprise only in an NPO has other restrictions. This applies particularly in South Africa in relation to both the ability to access debt funding for the purchase of any machinery needed and secondly in terms of the cap on income before the NPO runs the risk of losing PBO status and donor benefits. Emerging social enterprises should carefully investigate these risks before embarking on delivering the goods and services through an NPO structure alone.

b. Avoiding pitfalls based on the Shonaquip experience

The two greatest challenges that Shonaquip has experienced over the past 25 years have been financial insecurity and the ensuing mission drift that was strongly influenced by such insecurity.

The experience of Shonaquip as it sought to secure funding from an external investor who did not share the social enterprise vision of holistic social impact should be a lesson for all social entrepreneurs. The due diligence process involved only served to exacerbate the existing financial challenges and led to an unnecessary and significant shift in focus.

Mission drift occurred not only as a result of external influence but also as a result of internal shifts due to the very different lived experiences of the two entities. A return to a uniting programme understanding and symbiotic delivery has been a focus of Shonaquip's over the past two years. This has helped to ensure that programmes continue to deliver on the focus areas of the social enterprise but are framed within a complementary structure that reflects the different entities.

The drift (both in the focus areas of each entity and apart from each other) also occurred as a result of the fact that during the financial crisis the founder was still the main vision driver, but was now having to work without two strong and purpose focused teams. Needing to focus on operational requirements, she was not longer able to focus her attention on the overarching organisational direction and strategy.

Creating a strong team that shares the entire vision is vital to overcoming these risks (Below & Tripp, 2010). It is also important that board members are involved and committed to the overarching vision and purpose of the organisation to ensure that their governance is appropriately informed without undermining their ability to provide skilled direction (Ebrahim, Battilana & Mai, 2014).

c. Create a range of income streams to limit dependence

Multiple income streams, as documented earlier, and the creation of a hybrid social enterprise provide an opportunity to limit dependence and ensure the sustainability of the diverse range of activities that social entrepreneurs may undertake as they aim to not only provide a socially beneficial product or service, but also create lasting social impact.

Shonaquip and Uhambo still derive a significant proportion of their income from the state, although this is spread among different departments. In the South African context, state support is common and helps to align programmes with a national focus. This relationship also helps to ensure that Shonaquip is able to contribute its own lessons and learnings to the public realm. With diversification of income, moreover, Shonaquip is also able to tackle, pilot and demonstrate the benefits of programmes that fall outside of any one funder's focus area.

5.4.3 *Scaling social impact through the Hybrid Social Enterprises*

While not all social entrepreneurs are interested in creating lasting social impact, linking the product or service produced and the other programmes within a united vision helps, as has been shown through the experiences of Shonaquip, to significantly increase not only the social impact but indeed the very scale at which the sale of the products and services themselves can expand their reach. The lessons documented through the historic evolution of civil society organisations provides both lessons and warnings for social enterprises if they wish to avoid the pitfalls of traditional charity and philanthropy and deliver sustainable social impact.

a. Sharing resources

Having focused and skilled teams delivering complementary programmes assists in scaling the work while limiting the number of employees of any one entity. As has been mentioned, Shonaquip has only one clinical team, although it delivers trainings to government under tender, provides client services and is contracted by Uhambo to undertake programmes within the communities and day care centres that Uhambo serves. This ensures that a larger and more consistent clinical team with standardised training tools and common purpose is able to be maintained than if either organisation had to take sole responsibility for these costs – allowing, in turn, for greater impact.

b. Leveraging the benefits of joint project delivery across a hybrid structure

i. Funding the sale of goods through the NPO

Diversifying income streams helps to ensure that children excluded through existing streams of government or private medical insurance funding can be funded through the NPO activities. In the case of Shonaquip and Uhambo this involves raising funding to ensure that children are now able to receive the mobility devices and clinical services they need. This assists in securing the sustainability of the business while at the same time increasing social impact.

ii. B-BBEE legislation

Achieving a high B-BBEE scorecard rating ensures that entities are attractive for potential investment or donor partners. Hybrid social enterprises are able to increase

their scorecard by ensuring a higher black ownership percentage through shareholding by the non-profit entity. Organisations such as the LifeCo UnLtd Group take this even further by offering this opportunity outside their organisation and, through the part ownership of other external corporations, are able to fund their social impact work (Bertha Centre, 2015: 17 and LifeCo UnLtd, 2016).

Hybrid ideals that are able to deliver united programmes utilising the goods produced by the for-profit entity are able to capitalise on clause 6.4.2 of Code 400 as outlined in the Amended Codes of Good Practices of the Broad-Based Black Empowerment Act No. 53 of 2003. Goods purchased through the for-profit company are applicable for Preferential Procurement points under the enterprise development theme while the donation of these same goods through the NPO is applicable for socio-economic development recognition.

Enterprise Development investment can be secured for social enterprises that seek to create social impact by supporting the development of other enterprises either through funding for programmes directly from donors or through investors utilising a trust set up under Section 30C of the Income Tax Act No. 58 of 1962.

5.5 Conclusion: Multiple Entities Can Champion A Common Social Purpose

It is hoped that the history of Shonaquip, as it has evolved, its response to the challenges that it has faced, and the actions that it has taken to overcome these challenges will provide insight into the challenges faced by Social Enterprises in South Africa. Although some progress is being made, these challenges continue to be exacerbated by the lack of understanding of social enterprises or legal structure that leaves social enterprises vulnerable to funder demands.

Social enterprises, particularly social enterprises that choose to build on the history of civil society organisations, offer a real opportunity to contribute to sustainable societal change. The possibilities offered to social enterprises to leverage the benefits of both civil society and the private sector can allow them to decouple themselves from the dependency so often experienced within civil society.

By building on the learnings from advocacy organisations to build engagement with stakeholders and leverage policy change, social enterprises are able to deliver impact well beyond their ability to deliver only products and services.

Shonaquip offers lessons for practitioners and academics alike as to the opportunities presented by social enterprises to build on the experiences of both civil society and the private sector to deliver sustainable social impact at a scale not achievable – and in areas not available – through the public, private or civil society sectors alone. In a time of financial restrictions and enormous social need, social enterprises present one solution to helping to tackle significant social needs – while at the same time limiting their dependency on the vagaries of funders, the rigid parameters of investors or the specific agendas of State agencies.

There are multiple variations of hybrid options available to social entrepreneurs. While maintaining vision and purpose and securing finance across multiple entities can

present additional challenges, the multi-entity hybrid ideal is a key factor to the success of Shonaquip. The many manifestations of Shonaquip over the past 25 years, from its origins as a single-entity social enterprise within an ecosystem of organisations to a multi-organisation hybrid within a growing ecosystem of organisations looking to support holistic social change, reflects the ability of social enterprises to weather significant storms and challenges within this framework.

The key to Shonaquip's success has been the sustained vision of its founder, Shona McDonald, who has maintained a holistic vision to help deliver an inclusive society for children with mobility disabilities and their families. It is hoped that the new model designed over 2016 to encompass 25 years of experience will mitigate the risks and leverage even more benefits to secure this vision.

There remains the need for further research on the social impact opportunities of social enterprises, and particularly hybrid ideal social enterprises within low resourced settings. In particular, the new models designed but not yet launched by Shonaquip show strong potential as innovative and cohesive structures for holistic social impact. These invite research that would assist practitioners and researchers to gain additional insights into the implementation of this dynamic model.

It is also hoped that through documenting the history of Shonaquip as it has evolved, and through the challenges that it has faced and the actions that it has taken to overcome these challenges, policy makers will gain some insight into the experience of social enterprises in South Africa as they struggle to achieve social impact without a clearly understood legal framework.

It is hoped that the recommendations on available options for hybrid social enterprises, particularly from within a civil society framework, will enable practitioners to make more informed decisions as they tackle the opportunities presented by hybrid social enterprises to increase impact, deliver a holistic approach, and ensure mission focus amongst numerous different organisational objectives.

Finally, this research also highlights the need for further research by academics on a range of topics not least from a social and development science perspective within a low resource environment, but also to document the practical experiences of social enterprises, as their lived experience provides unique insights into how to sustainably effect social change.

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